FINANCIAL TIMES

LA's toy industry
Restoring life to the inner city
Page 4

Islam in Asia
Tolerance pays off
Edward Mortimer, Page 10

Noise pollution
US authorities curb the airlines
Environment, Page 19

FT Exporter
Green routes across Europe
Survey, Separate section

World Business Newspaper — WEDNESDAY JULY 10 1996

Ulster stand-off prompts fear of end to Loyalist truce

Loyalist leaders warned last night that Northern Ireland was heading for further violence unless the security forces backed off in their confrontation with Protestant marchers. Demonstrators have already burnt Roman Catholic homes and blocked main streets. UK ministers fear an escalation could prompt leaders of Protestant paramilitaries to follow the Irish Republican Army in ending their ceasefire. UK prime minister John Major told parliament that the escalation of violence was indefensible. Page 12; Editorial Comment, Page 11

US faces showdown over UN chief: The US may be set for a showdown with the developing world after the Organisation of African Unity endorsed Boutros Boutros-Ghali's bid for re-election as United Nations secretary-general. The US is determined to veto his reselection. Page 5

Groups close to pact on videodiscs: Officials at Japanese electronics company, Toshiba, said it was close to an agreement with Japan's Sony and Matsushita, Philips of the Netherlands and Hewlett-Packard of the US on a specification for digital videodiscs, the next generation storage device for home entertainment. Page 4

India approves $2.5bn power project: India's government formally approved the $2.5bn Dabhol power project, India's biggest and most politically controversial foreign investment, after a year of uncertainty. Page 4

Lamm seeks presidential nomination: The former Democratic governor of Colorado, Richard Lamm, threw his hat into the presidential ring by announcing he would seek the nomination of Ross Perot's Reform party. Page 6

Moves to support Japan's recovery: Japan's Economic Planning Agency will issue a new set of economic deregulation measures on Friday in an attempt to support the country's economic recovery. Page 12

Polish eurobond snapped up: European and Asian investors flocked to buy a eurobond issue by Poland, confirming growing international interest in the eastern European market. Page 15

Insurers seek curbs on greenhouse gases: A group of the world's insurance companies stepped up pressure for substantial cuts in greenhouse gases and tougher curbs on environmentally damaging emissions. Page 12

Prudential Insurance fined $35m: Regulators recommended Prudential Insurance of the US should pay $35m in fines for improper sales practices. Page 6

Bodies unearthed at Srebrenica: War crimes investigators unearthed 10 bodies at a mass grave of Moslems apparently murdered by Serb forces after the fall of Srebrenica a year ago. Bosnian Serbs' defiance, Page 3

GM to recall 300,000 cars: General Motors is recalling nearly 300,000 1996 and 1997 model cars because of a defect that may cause the vehicles to backfire and in rare cases lead to engine fires.

MTV, the pop music network owned by Viacom, will next month launch a 24-hour cable television channel which offers simultaneous viewing on personal computers of music videos and worldwide web pages containing related data. Page 15

Camels light up to avoid hazards: Camels have been fitted with red tail lights in the west Australian tourist town of Broome. Two camel ride operators have agreed to a town council request to attach battery-powered bicycle lights to the rear of the camels to reduce traffic hazards.

Cricket: England drew with India in the final Test at Trent Bridge, Nottingham, to win the three-game series 1-0.

Queen pays tribute to Mandela: The Queen of England hailed president Nelson Mandela as the saviour of South Africa as he began a state visit to Britain. As thousands gathered in London to greet Mr Mandela, she praised his leadership in uniting black and white in a fledgling democracy.

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5,584.81	(+33.98)
NASDAQ Composite	1,164.14	(+5.32)
Europe and Far East		
CAC40	2,076.57	(-2.49)
DAX	2,562.18	(+11.14)
FT-SE 100	3,752.3	(+10.8)
Nikkei	21,910.82	(-5.12)

■ US LUNCHTIME RATES	
Federal Funds	5 1/16%
3-mth Treas Bills: Yld	5.322%
Long Bond	85 1/32
Yield	7.14%

■ OTHER RATES		
UK: 3-mo Interbank	5 11/16%	(same)
UK: 10 yr Gilt	97 1/32	(96 7/8)
France: 10 yr OAT	104.98	(104.8)
Germany: 10 yr Bund	97.65	(97.5)
Japan: 10 yr JGB	97.8173	(97.8857)

■ NORTH SEA OIL (Argus)		
Brent Dated	$19.71	(19.625)

■ GOLD		
New York: Comex		
(Aug)	$383.5	(382.1)
London:		
close	$382.9	(381.9)

■ DOLLAR		
New York lunchtime		
£	1.56	
DM	1.5245	
FFr	5.1603	
SFr	1.2627	
Y	110.295	
London:		
£	1.5617	(1.5549)
DM	1.5233	(1.5278)
FFr	5.1573	(5.172)
SFr	1.2608	(1.2633)
Y	110.24	(110.825)

■ STERLING		
DM	2.3637	(2.3746)
Tokyo $ close:	Y 110.8	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira80	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.60	Switz	SFr3.70
Estonia	EKr 22	Japan	Y600	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (mainland)	Es240	Turkey	L90,000
		Lebanon	L13,000			UAE	Dh12.00

Tyremaker faces first online action from pickets

By Robert Taylor in London

The world's first electronic picket line is being planned this week in an international trade union campaign against Bridgestone, the Japanese-based tyremaker, over its sacking two years ago of 2,300 striking workers at Firestone, its US subsidiary.

The Brussels-based International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM) said yesterday it wanted millions of Web users worldwide to bombard the company with complaints over the way it had treated the Firestone workers to commemorate the second anniversary of the sackings.

The company's US headquarters in Nashville, Tennessee, last night accused the unions of "corporate harassment".

Their action "will not work in the US", it said. "We have lived with this dispute for two years and we had our best business performance in 1995 and in the first six months of this year. People here are just ignoring the dispute."

The unions in ICEM have compiled a detailed database on the company which will be accessible to Web users through "hot links" from one web site to another. This will provide users with a mass of information about Bridgestone's business activities.

It includes the e-mail addresses of senior company executives in the US and Japan as well as company plants worldwide, and the names of its institutional shareholders, suppliers and clients.

The Bridgestone pages in the ICEM web site also provide direct "hot links" to the company's own sites, with access to pages where company publicity leaflets can be ordered. "Cyber-protesters will be filling these with their own robust views," ICEM said yesterday.

"Bridgestone faces a cyber-demo," said Mr Vic Thorpe, ICEM's general secretary. "For the first time, anyone with Web access will be able to wage an integrated corporate campaign against a leading multinational. As the cyberdemo mounts, Bridgestone will be seeing some home truths on its home pages."

The unions' symbol for the campaign is a black flag. The Bridgestone pages of ICEM include a scanned black flag logo that can be electronically clipped and sent directly not just to the company but carmakers and other companies that use its products. In tandem with the electronic campaign the unions are planning two "days of rage" against the company on Friday and Saturday, involving demonstrations and marches.

In July 1994, the company dismissed the employees after they had been on strike for six months against a pay and productivity package. It replaced them with other workers in five of its US plants.

Financier buys French cocoa bean processor

By William Hall in Zurich, Roderick Oram in London and David Owen in Paris

Mr Klaus Jacobs, the Swiss financier who sold his Jacobs Suchard chocolate business to Philip Morris for SFr3.1bn ($2.4bn) in 1990, has acquired a French cocoa bean processor with 15 per cent of the world's capacity and a dominant position in European markets.

European chocolate makers and users immediately expressed fears that they would face higher prices for their main raw material. "We reckon this deal gives Jacobs about 90 per cent of the UK industrial chocolate market and about 50 per cent of the pan-European market," one European chocolate user said yesterday.

Klaus J. Jacobs Holding (KJJ), Mr Jacobs' family holding company, said it had purchased Groupe Barry of France in a deal believed to be worth close to FFr2bn ($387m) with a view to increasing the value added part of what has been a low margin business. KJJ already owns Callebaut, a major industrial chocolate maker based in Belgium.

"It is a very strategic deal for him," a European industrial chocolate user said. "Callebaut and Barry were killing each other's margins in industrial chocolate." Mr Jacobs is believed to have also started up a cocoa trading company in Switzerland.

The purchase gives Mr Jacobs access to farmers in the Ivory Coast, the world's largest producing country, and more capacity for the manufacture of industrial chocolate. Large confectioners such as Mars and Nestlé make most of their own chocolate but also buy in some refined ingredients such as cocoa butter and liquor. Some other large users such as biscuit makers buy all their chocolate from merchant suppliers like Barry and Callebaut.

KJJ said the two companies would be combined into a new group called Barry Callebaut with a combined turnover of SFr1.5bn. It would sell around 500,000 tons of semi-finished cocoa products and industrial chocolate; an initial public offering was planned for 1997 but Mr Jacobs would maintain majority control.

Mr Jacobs was a major player in the world chocolate market in the 1980s and competed with Nestlé and other chocolate makers in acquisitions. In 1988, Jacobs Suchard made a £2.3bn ($3.5bn) offer for Rowntree, the English chocolate group, but was outbid by Nestlé.

Less than two years later, Mr Jacobs gave up his ambition to become the equal of Nestlé and Mars in retail chocolate and sold Jacobs Suchard to Philip Morris, the US tobacco, beer and food group. He subsequently bought back some parts of the Jacobs Suchard business, such as Callebaut and van Houten, a continental chocolate producer, which were not central to Philip Morris' consumer product strategy.

Mr Jacobs is buying Barry from Société Centrale d'Investissement et Associés (SCIA), a French investment company, and

Continued on Page 12

Israeli prime minister Benjamin Netanyahu (left) in an exchange with President Clinton in the Oval Office yesterday where they discussed the Middle East peace process. Mr Netanyahu said his government would continue to strive for "peace with security" with Arab states. Picture: Reuter

Banks plan grip on world debt market

By Nicholas Denton in London

A group of international investment banks plans to set up a clearing house to cope with the rapid expansion of trading in emerging market debt such as Brady bonds.

J.P. Morgan, ING Barings, Chase Manhattan and other leading traders in the $2,740bn market meet in London today to decide on their investment in the clearing house, provisionally called the Emerging Markets Clearing Corporation.

The institution will reduce the risk of defaults, cut costs in the long term, and give a further boost to the volume of trading in emerging market debt. But it will be a setback for Daiwa Securities, the Japanese broker, which currently dominates the clearing business – the completion of transactions.

The setting-up of the clearing house is a sign of the increasing maturity of emerging markets, which have gained widespread appeal while investment returns in developed countries have narrowed and western institutional investors have looked further afield for profits.

The current system for trading emerging market debt, which consists of Brady bonds – securities issued in exchange for bank loans – Eurobonds and domestic securities such as Russia's "Min-Fin" bonds, has developed in a haphazard way.

Since 1991, traders have increasingly dealt through screens provided by inter-dealer brokers such as US-based Chapdelaine. These brokers have insufficient capital to clear large transactions themselves and so transfer them to Daiwa Securities to handle settlement.

Market participants, however, have grown concerned about the "counterparty risk" – the possibility, albeit remote, that Daiwa Securities defaults during the three days it takes for a transaction to be settled.

The potential exposure of traders has increased rapidly as total trading volume has surged from $734bn in 1993 to $2,740bn in 1995. The inter-dealer market alone is worth about $300bn. When the Mexican financial crisis in 1994 provoked a collapse in emerging market debt prices, some investment banks ran up against their credit limits with Daiwa and were forced to halt trading on the inter-dealer market.

"Regardless of whether the clearer is Daiwa or any other individual firm, this is a risk that is unacceptable," said one banker in the new group.

With the Emerging Markets Clearing corporation – expected to function within a year – the risk of default is reduced because

Continued on Page 12

Thyssen set to win 49.9% stake in telecoms network

By Michael Lindemann in Bonn

Thyssen, the German steel and engineering group, is set to win the hotly contested competition for a 49.9 per cent stake in DBKom, the telecoms subsidiary of Deutsche Bahn, the German federal railway network.

DB said it would announce a partner for DBKom today, ending speculation about which of Germany's would-be telecoms operators would get their hands on the DBKom network. It is the second-biggest long-distance telecoms network in Germany after the one owned by Deutsche Telekom, the state-owned telecoms operator.

Thyssen and Mannesmann, the other Düsseldorf-based engineering group which already has a flourishing telecoms business, are both vying for the DBKom stake, but analysts believed yesterday that Thyssen was the more likely winner. According to press reports the stake is worth about DM2bn ($1.3bn).

Shares in both companies seesawed yesterday on speculation surrounding the DBKom bid. Thyssen closed at DM297.50, down DM1.50 on the day but up 5 per cent over the last week, while Mannesmann rose DM5 to close at DM535, and was up 2 per cent on the week.

Winning the 49.9 per cent stake in DBKom would significantly improve Thyssen's chances as a telecoms operator when the German telecoms market, Europe's biggest, is fully liberalised in 1998.

DBKom will face aggressive competition from Deutsche Telekom, the incumbent monopolist, and probably from Germany's three big electricity utilities, RWE, Veba and Viag, which are also preparing to turn their internal networks into public carriers.

However, the end of the competition for DBKom may lead first to further consolidation among the private operators as they face the daunting prospect of taking on Deutsche Telekom. One possibility is that Thyssen would bring its telecom assets – mainly the DBKom stake and a 28 per cent stake in the E-Plus mobile phone network – into a joint venture being negotiated between RWE and Viag, and including British Telecommunications.

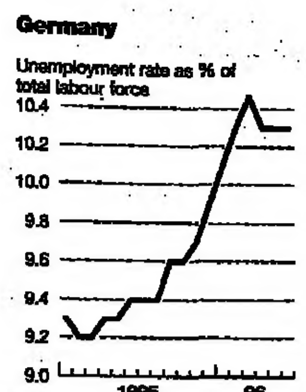
Mannesmann has already agreed to pool its network capacity with telecoms infrastructure belonging to Veba. Mannesmann said yesterday that final agreement on the details had been postponed until the DBKom bid had been settled.

DBKom's network is about 40,000km long and runs parallel to the Deutsche Bahn railway network. It has only been used to carry internal DB telecoms traffic and had turnover last year of about DM1bn.

However, the network is particularly interesting for would-be telecoms operators because about 40,000 German companies are connected to the DB rail network, making them potential DBKom clients.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG



Source: Datastream

German job hopes come to nought

By Peter Norman in Bonn

The spring-time recovery in the German labour market petered out in June as unemployment rose on a seasonally adjusted basis after two months of decline.

The federal labour office in Nuremberg said the pan-German jobless total increased by an adjusted 3,000 to 3.93m last month, reflecting a rise of about 7,000 in western Germany to 2.77m and a decline of about 3,000 in eastern Germany to 1.16m.

The office also revised down its earlier estimate of May's seasonally adjusted jobless decline to just 2,000 from the 7,000 reported last month.

April remains the only recent month with any notable improvement in labour market conditions. Seasonally adjusted unemployment fell 65,000 in that month, while figures released yesterday pointed to a 27,000 adjusted increase in total employment in April.

But Mr Bernhard Jagoda, the labour office president, said this was simply a "catching up" after adverse trends in previous months. Average employment, at 34.4m in April, was 389,000 lower than the year before.

On an unadjusted basis, unemployment across Germany fell by 33,800 between May and June, but the latest jobless total of 3.78m was 327,700 higher than in June last year.

Mr Jagoda said the labour market continued to be weak and had not yet responded to signs of a gradual increase of output in the economy. "All we are seeing at present is a seasonal normalisation after the hard winter."

Yesterday's data brought the unadjusted pan-German jobless rate below 10 per cent for the first time this year with 9.9 per cent of the labour force registered as unemployed last month against 10 per cent in May and 9 per cent in June last year. On a seasonally adjusted basis, the rate was unchanged between May and June at 10.3 per cent but was higher than last June's 9.4 per cent.

The news prompted economists to take a bleak view of employment prospects over the rest of this year.

The Frankfurt office of Swiss bank UBS forecast "very modest labour market data well into the second half of this year and maybe until 1997". The German arm of US investment bank Goldman Sachs said it expected unemployment "to resume its upwards trend in coming months" and saw no reversal of the trend "on the horizon".

Higher than expected unemployment could upset the government's budget plans which envisage a halt to federal payments to the labour office next year.

Mr Ottmar Schreiner, labour affairs spokesman for the opposition Social Democratic party, described the June jobless figures as "terrible" and charged that the government's draft budget for 1997 contained nothing to deal with the problem.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

UK Emu stance worries BT chief

Vallance fears retaliation from EU partners over exchange rate policy

By Lionel Barber in Brussels

Britain will suffer retaliation from its European Union partners if it pursues a go-it-alone exchange rate policy after monetary union in 1999, Sir Iain Vallance, chairman of British Telecommunications, said yesterday.

He said Britain could not remain permanently outside the single currency zone or escape some form of "supranational monetary discipline" if it wanted to enjoy the benefits of the single market.

"Retaliation is definitely on the cards. There are enough people talking about it already," he said in an interview in Brussels, where he was lobbying EU commissioners on regulatory matters, notably the planned Atlas joint venture between Deutsche Telekom and France Télécom.

Sir Iain also warned that Europe was in danger of "missing the boat" unless it accelerated the pace of liberalisation after the opening up of voice telephony on January 1, 1998.

His views on Emu – which he stressed were personal – reflect unease within the British business community about the anti-European drift in the governing Conservative party.

Under pressure from Eurosceptics, the UK government has ruled out membership of a new model exchange rate mechanism in the next parliament and has remained studiously ambivalent about the merits of the single currency.

Mr Kenneth Clarke, the chancellor, has insisted that Britain would not be discriminated against if it remained outside the euro zone, either as a financial centre or as a participant in the single market. Asked about Mr Clarke's assurances, Sir Iain smiled and said: "Yes". Asked again, he repeated the smile, adding: "Retaliation can take all sorts of forms, as well as informal forms which are very difficult to deal with."

BT has invested heavily in Europe, building up a network of alliances in Germany, Italy, Spain and Scandinavia while also holding licences to operate directly in France, Belgium, Ireland and Switzerland.

Sir Iain, BT chairman since 1987, said he was anxious to press for faster liberalisation once voice telephony services opened up.

"If you want to set up infrastructure you need at least a decade. Unless the politicians hit the ground running in January 1998, the great danger is that the Americans and Japanese will get further ahead."

He noted that only three EU member states – Britain, Finland and Sweden – out of 15 had met the Brussels deadline of July 1, 1996 for liberalising telecoms infrastructure.

"The reaction of the main telecommunications companies in Europe to what happened to BT was that this was a rather strange Anglo-Saxon experiment which began in the US, drifted over in the gulf stream, but was not coming across the Channel. Now, they not only recognise it is coming across the Channel, but there might even be benefits."

The second lesson BT could offer was a redefinition of public service. In France, Italy and Spain, people equated telecoms with public utilities such as gas, electricity and water. Yet these industries would always retain a degree of natural monopoly.

"You have radio waves competing with copper networks. You have the convergence with entertainment; telecoms with cable TV. In future, you will have a regime which does not require sectoral regulation and then the public service requirement will fall away."

Sir Iain's remarks aimed to shoot down French ideas for language in the revised Maastricht treaty which would enshrine the principle of universal public service.

He was equally cool about Swedish-led pressure for an employment chapter in Maastricht 2.

"Employment policy is organic; if you write something into a treaty then it is frozen." Much more important, he said, was the need to ensure consistency in national law and regulation in the single market – and improve enforcement.

Brussels seeks more power on mergers

By Neil Buckley in Brussels

The European Commission will today renew calls for strengthened competition powers, with proposals to allow it to probe more merger cases and to encourage cartel members to "blow the whistle" on illegal price-fixing arrangements.

But the proposals face a rough reception from EU member states, whose ministers must decide whether to endorse them. Many oppose giving the Commission more competition powers, while Germany and Italy have called for the job of vetting mergers to be handed to an independent agency.

Mr Karel Van Miert, competition commissioner, wants the turnover thresholds above which the Commission has the right to investigate mergers and takeovers to be lowered. He also wants the Commission to have automatic rights to vet mergers if they would involve at least three national competition authorities, even if their turnover is below the thresholds.

Draft proposals were published in a green paper in January, and will be presented in revised form today after consultation with industry and member states.

At present, the Commission has the exclusive right to probe mergers involving total turnover of more than Ecu5bn ($6.29bn) when at least two of the merging companies have combined turnover of more than Ecu250m ($314m) within the EU. The number of mergers vetted increased last year from from 95 to 114.

Mr Van Miert says too many mergers with cross-border impact do not fall within the Commission's remit, and wants the thresholds lowered to Ecu2bn for global turnover and Ecu100m for EU turnover. The Commission estimates that would bring between 65 and 80 per cent more cases under its control.

The majority of member states are still thought to oppose lowering the thresholds. But they are thought to be more sympathetic to the Commission's call for automatic rights to probe mergers involving at least three national authorities.

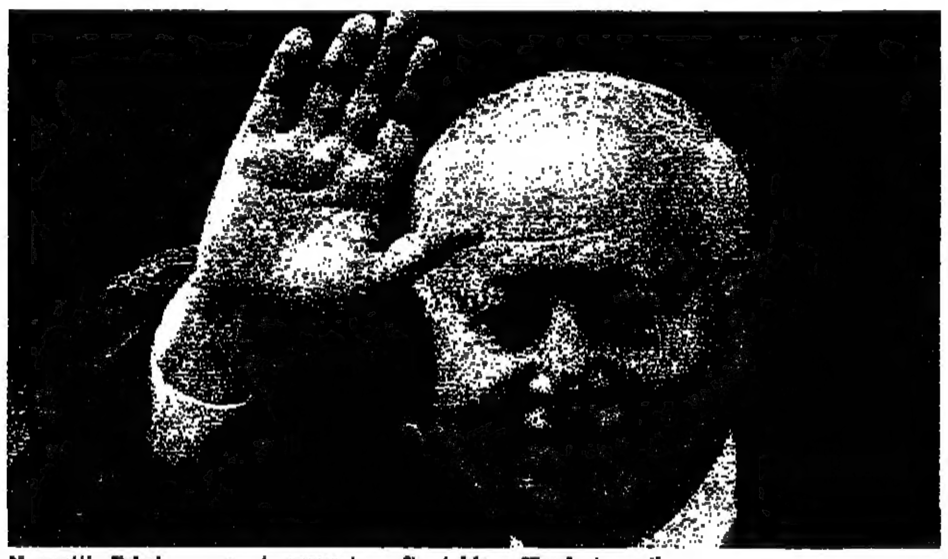
Commissioners at their weekly meeting will also discuss a revised draft of proposals published last December to increase the Commission's detection rate of price-fixing cartels by encouraging companies involved to "blow the whistle".

Officials warned yesterday the Commissioners might not reach accord on the controversial proposals today.

Mr Van Miert last December suggested immunity from fines for companies that were the first to inform the Commission about a cartel, provided they co-operated fully with any inquiry and were not the instigator of the arrangement.

Companies which co-operated once investigations were under way would face reduced fines.

■ Italy's anti-trust authority has cleared Heineken's purchase of Birra Moretti, the Italian brewer from Interbrew of Belgium, on condition that the Dutch brewer sells one of Moretti's plants to a competitor, writes Andrew Hill in Milan. The authority said Heineken would have to reduce its overall share of the Italian market – which would reach nearly 38 per cent through the purchase.


Necmettin Erbakan waves to supporters after taking office last month AP

Misgivings swept aside in Refah's power play

Islamists in Turkey prefer a pact with a hated rival to continued opposition, writes John Barham

"Yes, of course I feel disappointed. We all are, but that is the way in politics. One day you insult your opponents and the next day you have to work with them." So says Mr Hayrettin Beyazit, a youth organiser for Turkey's Islamist Refah party, in his grubby offices in a rundown Ankara shopping centre.

A week ago Mr Necmettin Erbakan, Refah's 69-year-old leader, struck a deal with Mrs Tansu Çiller, one of his worst enemies, and agreed to share power with her conservative True Path party. Parliament narrowly confirmed the coalition government in power in a vote of confidence on Monday.

To many of Refah's rank-and-file this alliance seems less a marriage of convenience than a pact with the devil. Mr Erbakan once dismissed Mrs Çiller as "lower than an infidel". Pollsters find that little more than half of Refah voters support the coalition with True Path.

The consensus in Mr Beyazit's cramped office, its walls lined with files and party propaganda and with a haze of cigarette smoke hanging in the stifling air, is that the party's strict discipline and Mr Erbakan's considerable authority are strong enough to contain any dissent. One of Mr Beyazit's new recruits blurts out: "Whatever our teacher says, happens."

Mr Beyazit says: "Refah could not come to power alone. It has a coalition partner, so it cannot do everything it promised. When we come to power alone, then the party can fulfil its promises." A colleague interrupts: "We know that Refah could do nothing to solve the country's problems as an opposition party. We had to come to power to get rid of unemployment and corruption."

In the harsh daylight outside, though, Mr Beyazit and his followers seem hopelessly naive. Mr Erbakan may have campaigned on an anti-corruption platform and promised to sweep away the rotten secularist order, but his decision to form a coalition with Mrs Çiller merely confirmed what many of his voters suspected all along – that he is as much of an opportunist as any other Turkish politician.

Mr Adnan Sönmez, a driver, says: "I voted for Refah but, really, politicians are all the same. Refah is corrupt too. But, at least Refah, with its fear of god, will steal less than the others stole. I think what Turkey really needs now is a dictator."

Mr Sönmez is very much in a minority, but many Turks are increasingly angered by the inability of mainstream politicians to deal with their problems. Backing for Islamist or far-right candidates has grown at every election since the return to civilian rule in 1980. Refah took 21 per cent of the vote in last December's elections, more than any other party.

Mr Selim Oktay, director of Istanbul's Strateji-Mori polling company, says that "Erbakan is trying to get social acceptability". Until recently, it seemed that Turkey's powerful secular establishment, led by the army, would never let an Islamist government take office.

The next step, analysts agree, will be to reward the party faithful with patronage and government jobs.

Stabilising Turkey's runaway economy with a stiff dose of orthodox economics does not seem to be a priority for anyone in Refah. Although Mrs Çiller's True Path technocrats have main responsibility for running the economy, they too tend to be as populist as Refah.

"I think [Refah] is going to distribute money to the little people and to small companies which is where their support is," says Mr Oktay.

Mr Burhamettin Soysal, owner of a small gold shop decorated with Koranic inscriptions is a typical Refah supporter. He says: "All of our past governments have upset me, especially their corruption. As a shopowner I work hard and pay my taxes, but all the money disappears." He might benefit from the government's promised tax breaks, subsidies and tax amnesties. Mr Erbakan could thus enjoy an extended honeymoon, at least among the outsiders in Turkish society.

Yet Mr Erbakan's pact with Mrs Çiller carries considerable risks for his future leadership. Although revered as Refah's founder – MPs queued to kiss his hand after Monday's confidence vote – he is nearly as controversial as his new ally.

Mr Oktay's polls show the public holds him in very low esteem: only a quarter have a favourable opinion of him. He is widely viewed as corrupt and dishonest, whereas the opposite is true for Refah's rising star, Mr Recep Tayyip Erdoğan, Istanbul's popular mayor.

Should the ageing Mr Erbakan stumble, his 42-year-old protegé, who is reputed to be on the party's radical wing, may push him aside. Mr Beyazit, like so many of Refah's organisers toiling away in remote party offices across the country, will probably have no trouble in shifting allegiances to a man less likely to sup with the devil.

Russia to step up reforms of social welfare

By John Thornhill in Moscow

The Russian government would re-order its economic priorities in the wake of the presidential elections to tackle social concerns and ensure "the rich should help the elderly," the chief economic aide to President Boris Yeltsin said yesterday.

Mr Alexander Livshits said the new government, which is still being formed, would also take measures to increase tax revenues, stimulate industrial investment, and lower interest rates by opening the government debt market to foreign investors, ensuring that economic growth resumed by the end of the year.

Mr Victor Chernomyrdin, the prime minister, yesterday met Mr Grigory Yavlinsky, the defeated liberal presidential candidate, to discuss economic reforms amid rumours that he would be offered the job of first deputy prime minister in charge of the economy.

Mr Yavlinsky has long advocated measures to bolster Russia's social welfare system, but has also been a fierce critic of Mr Chernomyrdin.

Mr Livshits said the government was urgently redistributing budget spending to ensure that delayed pensions were paid, but would eventually have to overhaul the entire pension system.

At the beginning of June, the federal pension fund had a deficit of Rbs7,000bn ($1.37bn) resulting in delayed payments to pensioners and fuelling support for the communists.

Mr Livshits said the elections had inflicted "considerable damage" on the economy, as companies stopped paying taxes and investing in their businesses, and the yields on government debt shot up to astronomical levels.

But the government could plug the widening budget deficit by raising an additional Rbs30,000bn of tax revenues this year. The government intended to squeeze the biggest tax debtors, abolish special privileges thereby widening the tax base, and tax the estimated 10m private "shuttle" traders who import consumer goods from neighbouring countries.

Mr Livshits stressed the government would not abandon its financial stabilisation programme, which would keep the monthly inflation rate below 2 per cent, and praised the central bank for resisting pressure to print more money.

But the continuing monetary squeeze and the sharp fall in yields on government debt are beginning to hit many of the country's 2,100 commercial banks.

This week, the central bank took temporary charge of Tveruniversalbank, Russia's 17th biggest bank by assets, after it ran into difficulties. Rumours were rife that many more banks would follow.

Mr Sergei Dubinin, governor of the central bank, yesterday dismissed talk of a "general banking crisis" although he conceded several Russian banks had problems.

Local bankers suggest pressure on the domestic banks might delay plans to open up the government debt (GKO) market to foreign investors until next year. Some cash-strapped banks appear to be kept afloat by the still-high yields in the GKO market.

Chechnya fighting challenges Yeltsin

Less than a week after presidential elections fighting broke out again yesterday in Chechnya, shattering the fragile peace Russian President Boris Yeltsin had engineered during his campaign to stay in office, writes Chrystia Freeland in Moscow.

The flare-up, which was the most serious clash in the breakaway republic for six weeks, could return the Chechen conflict to the top of the Kremlin's political agenda.

The Russian military yesterday deployed helicopter gunships and aircraft against Chechen separatists in the village of Gekhi, some 30km south-west of Grozny, the capital, in a fresh outburst of violence in which at least six Russian soldiers died. The eruption followed an ultimatum issued to Chechen fighters on Monday to handover Russian prisoners or face the consequences.

The fighting in Chechnya has continued despite the sacking last month of the four hawkish government officials who spearheaded Russia's military intervention.

Mr Yeltsin has not yet chosen his cabinet but yesterday made one senior appointment, naming General Nikolai Kovalyov, a career KGB officer, as the new head of the Federal Security Service, an internal successor to the Soviet KGB.

EUROPEAN NEWS DIGEST

Governor warns France's banks

Mr Jean-Claude Trichet, governor of the Bank of France, yesterday added his voice to calls for the government to act to eliminate "competitive distortions" in French banking.

Presenting the annual report of the Banking Commission, which supervises France's banking sector, Mr Trichet urged the government to end such distortions "whether they relate to the monopoly in distribution of certain specific products or . . . the legal nature of the companies involved".

Commercial banks – plagued by high costs and low credit demand, as well as intense competition – have in recent months renewed their attacks on competitors such as mutualist banks, the Post Office and the Caisse d'Epargne savings bank network which have no requirement to provide a return on equity to their "shareholders". Mr Trichet, the commission's chairman, said the financial activities of the Post Office posed "a very serious problem".

While commenting on signs of improvement detected in the French banking system, the commission said there had been an increase in "imprudent" behaviour by banks in recent years at the expense of profitability. This applied to "some personal loans, particularly in the housing domain, and a large fraction of lending to local authorities, where the level of margins is rarely of a nature to allow a minimal cover of the risk". This behaviour partly explained why profitability in the banking sector was still "inadequate". Mr Trichet said the commission planned to call in outside specialists to help supervise the banking system, particularly surveillance of market operations. *David Owen, Paris*

French ex-ministers facing jail


From the cabinet rooms to prison cells? Alain Carignon (left) and Bernard Tapie now await their fate

Two former French cabinet ministers, Mr Bernard Tapie and Mr Alain Carignon, inched closer to jail yesterday when their convictions were separately upheld.

The Supreme Court in Paris upheld a ruling that Mr Tapie – who once controlled the Adidas sportswear company, led the Marseilles football club, and served as a minister in the Socialist government between 1992-93 – was guilty of personal bankruptcy in the collapse of his sports and business empire. The decision barred Mr Tapie from public office for five years, clearing the way for him to be stripped of his seats in the French and European parliaments. That in turn could expose him to serving prison sentences already incurred for tax evasion and rigging a football match.

In Lyons, Mr Carignon, who served as communications minister in 1993-94 under the then prime minister, Mr Edouard Balladur, had his sentence for corruption increased by an appeals court to four years in jail with a further year suspended.

The court upheld the lower court's decision to fine him FFr400,000 ($80,000) and ban him from public office for five years for taking FFr21m in gifts from the utilities company, Lyonnaise des Eaux, in return for a water privatisation contract. His lawyer said his client would appeal to the Supreme Court. *Reuter, Paris*

European takeovers set to rise

European mergers and acquisitions activity is set to rise over the next year, driven by increased competition and a focus on core businesses, according to a survey released by Price Waterhouse, the accountancy firm. Of the 500 top European companies willing to reveal their plans, 45 per cent said they intended making acquisitions in the next 12 months.

Acquisition activity was likely to be greatest in the UK, where 63 per cent said they were planning to buy other companies, and lowest in Italy, where only 26 per cent planned to make purchases, the Price Waterhouse European M&A trends survey revealed.

Germany heads the list of likely merger activity, followed by Italy. The Netherlands will have the lowest level of mergers and alliances. "Three times as many companies plan to undertake mergers and strategic alliances across Europe in the next 12 months compared with the last 12 months," the report said.

The survey also found that the number of disposals was likely to decrease slightly. Of those which might occur, the UK would again lead the field while Italy was least likely to see a rash of disposals taking place. *Reuter, London*

Brussels threat over poll rights

The European Commission threatened yesterday to take seven European Union states to court for failing to implement a law allowing EU nationals to vote in the municipal elections of other member states where they are resident.

Belgium, Germany, Greece, Spain, France, the Netherlands and Portugal have received letters giving them 40 days to advise that the law has been put on to national statute books. This should have been done by the beginning of this year. The move is part of a campaign to complete the single market.

Brussels has sent 36 letters either opening court proceedings or giving final warnings of future court action in cases involving public procurement, citizens' rights, financial services and the recognition of diplomas. *Reuter, Brussels*

'Green' Germans wary of costs

Germans emerge as environmentally aware but increasingly reluctant to make personal sacrifices to improve their surroundings, according to a survey of environmental consciousness commissioned by the Bonn government.

A poll of 2,300 Germans in January and February found that more than 70 per cent worried about the environment that their children and grandchildren would live in. On the other hand, only 21 per cent in western Germany and 13 per cent in eastern Germany were prepared to pay higher taxes and fees to improve it.

The survey found more people were driving cars to work compared with 1991, while the willingness to accept higher motoring costs to ease traffic had fallen. The share of people willing to pay more for environmentally friendly products fell to 35 per cent in the west and 17 per cent in the east from 59 per cent and 24 per cent respectively five years ago. The survey also found a sharp decline in willingness to pay more for rubbish clearance. *Peter Norman, Bonn*

French company profits to rise

The profitability of French companies should continue to make solid progress in spite of the less than impressive performance of the French economy, according to projections published yesterday by Banque Nationale de Paris, the banking group.

BNP estimates that the gross operating profit before taxes of French companies will rise by 7 per cent in 1996 and the same amount again in 1997. It says lower interest rates will reduce the amount of interest paid by French companies by about FFr40bn ($7.75bn) in 1996. *David Owen, Paris*

هكذا من الأصل

Prodi allies dig in heels over economy

By Robert Graham and agencies in Rome

The economic policies of Italy's new centre-left government were given a rough reception during their first discussion in parliament yesterday.

In four out of eight committees in the chamber of deputies, the Olive Tree alliance failed to obtain a majority after Reconstructed Communism (RC) – formed from the hard core of the old Communist party and which has agreed to back the government – voted against the measures.

The votes served as a warning that both the government's plans for the 1997 budget and its three-year macro-economic framework laying down the path to convergence with the criteria for monetary union, could be altered in parliament.

RC appears determined to exact as high a price as possible for its support. Moreover, elements within the Party of the Democratic Left (PDS), the dominant partner in the government coalition, are anxious to accommodate union demands to devote more money to job creation and allow wages to increase at around 3 per cent next year against projected inflation of 2.5 per cent.

Financial markets fell on the news but recouped some losses after Mr Armando Cossutta, president of RC, signalled that the party did not want the government to fall over their differences. He said: "It's fine by us if the government sets an inflation goal of 2.5 per cent and if inflation goes down that's even better. But we want a precise commitment from the government that if it goes above 2.5 per cent there will be compensation for salaries and wages based on that target."

The pressure on wages and the government programme will test the authority of Mr Romano Prodi, the prime minister. Already Confindustria, the employers' confederation, and Mr Mario Monti, the Italian European Union commissioner, have criticised the government for setting its sights too low by formulating 1997 budget guidelines that will mean missing next year's deadline for compliance with the convergence criteria of the Maastricht treaty.

The three-year macro-economic programme envisages cutting the budget deficit from 6 per cent of gross domestic product this year to 4.5 per cent next year and 3 per cent in 1998 – hitting the convergence target one year late.

Yesterday economists gave broadly positive assessments of the targets in evidence to parliamentary committees on the programme. But Mr Alberto Zuliani, the head of Istat, the state statistics institute, said the 1997 estimates for the trend in interest rates were a bit on the pessimistic side, while the inflation target of 2.5 per cent and the 2.8 per cent growth target were optimistic.

Attention also focused on the fact that the government did not include in its figures for the public sector deficit three items amounting to almost L20,000bn ($13bn) next year: VAT repayments to companies, the cost of a 1993 constitutional court judgment on pensions arrears of minimum pensions, and the writing down of the cost of debt issues.

The government is also planning this year to accelerate payment of the constitutional court settlement by settling arrears of L14,000bn. The EU has included these arrears in its assessment of the 1996 budget deficit. This accounts for Brussels' announcement this week that Italy's deficit would be 5.4 per cent of GDP this year, almost a percentage point higher than that predicted by the Prodi government.

The macro-economic programme is traditionally endorsed by parliament before the summer recess. This enables the government to present details of the 1997 budget by the end of September.

Proposals to boost markets in Germany

By Andrew Fisher in Frankfurt

The twin challenges for German capital markets of financing new jobs and preparing for European monetary union were highlighted yesterday in a set of proposals drawn up for the ruling coalition by one of its financial experts.

Germany should strive to match efforts made to promote the Paris capital markets and consider merging the three supervisory bodies for banking, securities and insurance, said Mr Wolfgang Steiger, a member of the Christian Democrat (CDU)-Christian Social Union (CSU) parliamentary group. The Bundesbank should also drop its minimum reserve policy.

His proposals were drafted for the CDU-CSU working group on finance as part of the intensifying government debate on how to strengthen *Finanzplatz Deutschland* (Germany as a financial centre) to combat high unemployment and compete with the rest of Europe after Emu.

The need to provide more equity and venture capital for small and established businesses – and thus help job creation – will also be discussed later this year by the CDU-CSU group's committee on improving Germany as an industrial location. "We have to create the conditions for investment, innovative products and new jobs," said Mr Hans-Peter Repnik, head of the committee and deputy head of the parliamentary group.

Mr Steiger's paper points to the competitive disadvantage that will face German stock, bond and money markets when the D-Mark is replaced by the euro. The presence of the future European central bank in Frankfurt would not be enough to safeguard the long-term position of German capital markets, said Mr Steiger.

He repeated the call for Germans to become more risk- and equity-oriented. Supporting moves by Deutsche Börse (which runs the Frankfurt securities and options exchanges) to set up a new market for small companies, he said the planned Brussels-based Easdaq market as a European version of Nasdaq, the computerised US securities market, would not be a proper alternative to this. Mr Steiger thus aligned himself with the scepticism of some bankers in Germany to the imminent launch of Easdaq. Links between national bourses were preferable, he said. The German small company market, starting next year, will co-operate with similar ventures in France and Belgium.

Mr Steiger also supported efforts to create special mutual funds to encourage people to make supplementary pension provision. Such funds would increase the involvement of institutional fund managers in the German financial scene.

Poland turns to EU after success at OECD

By Christopher Bobinski in Warsaw

Poland's preparations to join the Organisation for Economic Co-operation and Development have highlighted the problems it will face during accession talks with the European Union.

Negotiations on membership of the OECD, which have been under way since Poland's application in 1994, will end tomorrow with a formal invitation to join the Paris-based club of industrialised nations. Poland will become a member after the treaty is ratified by parliament, probably in the early autumn.

However, even some of the limited concessions the government made in the talks have been controversial within Poland. The OECD asked for foreign investors to be allowed to buy land but received little more than the streamlining of applications for purchase permits and the right to buy no more than small plots of urban land for investment by foreign companies.

These scant concessions have provoked calls by the Polish Peasant party (PSL), the junior coalition partner, to reverse the changes. Opinion polls suggest that around 75 per cent of Poles are opposed to unrestricted sales of land to foreigners.

Polish President Alexander Kwasniewski, who met US President Bill Clinton on Monday when Nato expansion was on the agenda, will take his country into the OECD and towards EU membership

Other much less controversial changes included a lifting of special permits for foreign investors in areas once thought to be especially sensitive, such as the wholesale distribution of consumer goods or ownership of real estate agencies.

A modest liberalisation of capital outflows allowing Poles to buy property abroad worth up to Ecu50,000 ($62,000), or transfer up to Ecu1m a year for capital or equity investments abroad went almost unnoticed. These concessions are to be followed up with further liberalisation, culminating in the implementation of all the conditions for full convertibility by 2000.

The Poles managed to get the OECD to accept that branches of foreign banks will not be able to operate in the country until the beginning of 1999, a year later than the organisation originally suggested. The Polish central bank at the moment gives licences only to those ready to establish subsidiaries and invest in ailing local banks.

In 1999 foreign banks will be able to open branches without needing the permission of the central bank.

Another key development in the banking sphere, which sent a frisson of anxiety through depositors, has been new legislation which opens bank accounts to inspection by tax officials.

Bankers mounted a strong campaign against this, pointing out that it could lead to currency outflows.

More changes are inevitable when Poland eventually joins the OECD. It will then be committed to play by its rules. "Poland has joined the club and that means that there is every chance it will acquire the habits and customs of the older, well established members" says Mr Paul Knotter, the World Bank's representative in Warsaw.

Poland will have to make even more changes when it eventually joins the EU. It will have to adapt domestic legislation to include the entire range of rules governing the internal market Brussels has produced to date.

These, ranging from rules on labelling to public health protection or accounting, are contained in a 438-page White Book which the Poles have received as part of the preparations for the accession talks some time after 1997.

Ms Danuta Hubner, Poland's chief OECD negotiator said: "Co-ordinating the various ministries to get the needed changes through the government has been an incredible lesson for the future [EU] talks."

Bosnia's defiant Serbs give new job to Karadzic

By Paul Wood, Laura Silber and Bruce Clark

The Bosnian Serbs have stepped up their defiance of the international community as senior diplomats from the US and at least six other countries prepare for a meeting in London today which will consider how to react.

The Bosnian Serb news agency said Mr Radovan Karadzic, who as an indicted war criminal is barred from holding public office, had been appointed chairman of a newly established senate.

According to the agency, the 55-member assembly will consider "issues of special significance" for the political and economic development of Republika Srpska, the Serb-controlled zone of Bosnia.

The diplomats meet today in the shadow of clear differences of emphasis among leading western policymakers about how to deal with Mr Karadzic.

Some figures in the US government are understood to have argued for drastic action – such as a commando raid – to remove Mr Karadzic from the scene. But Nato commanders in Bosnia are conscious a failed operation would deal an irreversible blow to western credibility in the region.

Mr Michael Steiner, the German diplomat who serves as deputy to the international mediator Mr Carl Bildt, is understood to have taken the lead in insisting that the SDS, the Serbian Democratic party headed by Mr Karadzic, must be barred from Bosnia's forthcoming elections.

Apparently confident of support from both Washington and Bonn, Mr Steiner has argued that barring the SDS may be the only way to stop Mr Karadzic sabotaging the electoral process and turning it into an embarrassing failure.

This line has also been supported by Mr Robert Frowick, the US official who is in charge of overseeing the September elections.

Mr Bildt, for his part, has insisted that his efforts to bring about a gradual reduction in the influence of Mr Karadzic are already bearing fruit and should be given a chance to succeed.

Supporters of disqualifying the SDS fear that this may be the only way to avoid a boycott of the election by the main Moslem nationalist party, the SDA. The latter is already nervous of an election which is supposed to lead to the creation of pan-Bosnian institutions, inclusive of all ethnic groups, which will therefore dilute its own claim to speak for all Bosnia.

British officials will present today's meeting with an elaborate plan for gradually escalating sanctions against the Serbs: starting with the Bosnian Serbs, and only if that fails, punishing Serbia itself.

SE Asia seeks flexible plan on investment

By Ted Bardacke in Bangkok and Guy de Jonquières in London

Talks on proposals to promote direct investment between Europe and Asia were narrowly saved yesterday after the European Union, Japan and Korea bowed reluctantly to south-east Asian insistence that any scheme be based on non-binding principles.

The Bangkok meeting, the first in a series of follow-up sessions to the Asia-Europe summit in March, also failed to reach consensus on trade and investment issues ahead of December's ministerial conference of the World Trade Organisation in Singapore.

Sir Leon Brittan, EU trade commissioner, wants Asian support for his campaign to launch WTO negotiations on liberalising and creating global rules for international direct investment.

However, his hopes have been dealt a setback by members of the Association of Southeast Asian Nations (Asean), which recently rejected any negotiations on investment in the WTO for at least five years.

The flexible nature of the commitments made at this week's Bangkok talks was underlined by Mr Narongchai Akrasanee, co-chairman of the meeting and chairman of General Finance & Securities, a brokerage company in Thailand.

"In Asia we agree to things only if they are subject to change without any advance notice," he said. "If we want the governments to endorse the plan, then it is important to make it clear from the beginning that they will not have to follow it."

Some European leaders suggested at the March summit that an investment accord being negotiated by industrialised nations in the Paris-based Organisation for Economic Co-operation and Development should be a model for an agreement between Asia and Europe.

However, the proposal was not discussed at this week's meeting, which agreed instead to use some of the ideas developed in the OECD talks as a guideline to develop principles, without formally subscribing to a code or agreement.

"A code implies something legally binding, whereas principles you can bend," one Asian delegate said.

The draft plan, due to be endorsed by European and Asian economic ministers next year, centres on two main themes.

They are liberalisation of investment regulations and restrictions, and investment promotion, including technology transfer, assistance to small businesses, human resource development, environmental protection and standardisation.

Even within this broad outline "the differences are very big", Mr Narongchai said. *Although European and north* Asian representatives focused on liberalisation, China and Asean members emphasised promotion. "So we agreed there should be both," he said.

European officials, who are due to hold more talks with Asian representatives in Brussels on July 24 and 25, insisted the modest outcome of the Bangkok meeting did not mean ambitious plans for an Asia-Europe dialogue had got off to a shaky start.

But other officials said the EU had made few preparations for the Brussels talks, while Asian governments seemed preoccupied with a ministerial meeting of the Asia Pacific Economic Co-operation forum in New Zealand later this month.

The EU hopes to use the Brussels meeting to discuss measures for facilitating trade between Europe and Asia and to seek common ground ahead of the WTO conference.

LA's Toy Town plays the profits game

Christopher Parkes analyses a flourishing sector which is breathing new economic life to the inner city

Mr Charlie Woo knows every wrinkle on his territory, a ramshackle patch of downtown Los Angeles with its permanent kerbside presence of the crazed, the hopeless and the merely homeless. "Best lock the car doors here," he warns. "This lady on the corner is likely to jump in. And she bites."

This is Toy Town, and Mr Woo its unofficial Mister Mayor. He runs Mega Toys, one of about 100 toy importers, exporters and manufacturers which, in their diversity and entrepreneurial vigour, embody the vitality of immigrant ventures restoring economic life to LA's inner city.

Clustered on the main rail and road links minutes from the twin ports of Los Angeles and Long Beach, the mainly Asian-owned businesses sit at the geographical centre of LA County's fast growing toy industry.

Although dwarfed in financial terms by world leader Mattel in nearby El Segundo, there are now at least 520 toy companies in the county, employing 6,000 people and generating annual sales of $4.4bn.

Recognising the potential, LA's respected Otis College of Art and Design has instituted a bachelor's degree in toy design, *and opens its first four-year* course in September.

The giant US market, plus Mexico and Canada, thanks to the North American Free Trade Agreement, provide the growth drivers. Asian immigrants form the link with manufacturers and traders across the Pacific. Toy Town provides low-cost premises, and cheap labour is plentiful thanks to the largely Hispanic local population.

This potent economic mix is now being consolidated by the newly founded Toy Association of Southern California (TASC), which combines the clout of Mattel executives with the ambitions of people such as Mr Kwang-Sik Im, president of soft toy shipper A&A Plush. Not forgetting the ubiquitous Mr Woo.

TASC is one of the embryonic successes of Rebuild LA, a non-profit urban regeneration initiative launched after the 1992 riots, which dedicates much of its energy to encouraging networking within indigenous industries.

Fostering co-operation is not the simplest proposition in a multicultural business community where many, including Korean-born Mr Im, have limited English.

But RLA has succeeded by focusing on common issues, which range from easing local traffic curbs to advising on customs and safety and representing the region's interests *in faraway Washington.*

Mr Im, the association's vice-president, opened his business in 1992, and in 1993 sold

$1m worth of polyester bears. Last year A&A was ranked sixth biggest importer of soft toys, and is heading for revenues of at least $17m in 1996. With 31 staff and stock tumbling around his ears, Mr Im is preparing to move into new premises three times as big as A&A's present home.

But growth has also demanded investment in skills needed to link A&A into the mainstream of the US retail market where Wal-Mart, K-Mart, Toys R Us and Hallmark gift shops dominate.

A sales manager has been lured away from Daiken, best known for the marketing success of toys modelled on the brat-cat Garfield character. The company's experienced Korean designer has been *joined* by a white colleague "to help us keep with American taste," says Mr Kim.

Such luxuries as A&A's integrated management and spacious premises are rare a few minutes' drive away in the heart of Toy Town, where Mr Tony Lam runs Tack Cheung Corporation.

He employs an independent sales company to negotiate contracts with retailers, and says he would have been glad of TASC's advice had it been available on one occasion when safety *authorities* targeted one of his products, landing him with laborious form-filling.

"There are some guys doing well in business here who didn't even know enough to open a bank account when they started," says Mr Woo.

He attributes his commitment to the association to "goodwill and enlightened self-interest" and makes no secret of his affection for his neighbours in a scruffy environment which tumbled into decline when most of the toy industry's Jewish founders moved on in the 1970s.

As a substantial property owner in the area – with warehouses bought for $15 a square foot now worth 20 times that – his self-interest is self-evident. But he still goggles reverently at the Kort family's Imperial Toy Corporation building.

This vibrant monument to European immigrants' success is still the world's main source of bubbles and an inspiration to Mr Woo. He sees the toy trade's resurgence as a revival of the traditional way people with few resources carved an economic toehold in the US.

This enigmatic drop-out from physics graduate school, sitting among his garish stock-in-trade, talks busily of plans to sell Hallowe'en costumes on the Internet. He debates the relative merits of *paying* designers $120 an hour for products made by people on $1 an hour, and marvels at the mysteries of profits being made on goods which land in the US and are re-exported without even being unpacked.

But his interest seems focused on the streets outside, now a magnet for domestic and international traders looking for bargains. Central and South Americans visit by the thousand, mingling happily in the rough and tumble.

"I don't want it to be too clean and neat, because clean and neat means expensive," he says of grotty Winston Street.

Here, the best store-front properties draw rents similar to those in Beverly Hills. "This is a poor man's way to start a business, but even well established people stay here."

Why do they stay in such a lousy area?

"Because we get many people buying from third world countries. They're used to it and feel comfortable here. For them, this is normal."

Pact near on recordable videodisc standards

By William Dawkins in Tokyo

The leading developers of digital videodiscs, the next generation storage device for home entertainment, are putting the finishing touches to the technical standards for a recordable DVD, according to Toshiba, the Japanese electronics company.

Toshiba officials said yesterday that it, Sony, Matsushita, Philips of the Netherlands and Hewlett Packard of the US were in the "final stages" of agreeing a specification for a recordable DVD format, which would allow storage of a 2¼-hour film on a CD-sized disc. Definitive technical details are expected to be settled next month. "We are just tuning up the specifications," said a Toshiba official.

If agreed, the recordable DVD would come on to the market early next year, after the hoped-for launch of the first digital disc systems – which will be non-recordable – later this year. Toshiba and Sony want to start selling DVDs in Japan from September.

An agreed specification is needed to ensure that what is billed as the most important new consumer electronics product of the 1990s lives up to consumers' expectations. But the electronics companies' technical agreement needs the support of the film and music industries if the manufacturers of the new discs are to be assured of an attractive supply of music and films.

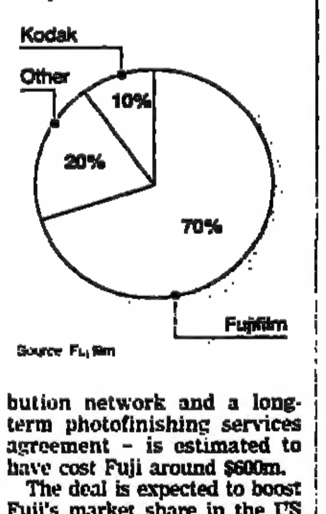
The US film industry has threatened not to release new films on DVD until there is a satisfactory accord, which would stop copyright pirates from using digital technology to make almost perfect copies. Film companies exerted pressure on the electronics groups to agree that the first discs would be non-recordable. It was unclear whether music and movie companies had agreed to the proposed specifications, but Toshiba officials said yesterday they were being consulted.

According to Toshiba, the proposed format would allow consumers to record and replay film, music and computer data on any manufacturer's DVD. The new product, to be called DVD-Rewritable, would be double-sided and capable of storing 2.6 gigabytes of information on each side. It would be compatible with conventional CD Roms and with the non-recordable DVDs.

US and Japan try to resolve photo film row

By Emiko Terazono in Tokyo

Japan's film market



Source: Fujifilm

Japanese and US trade officials today start negotiations over Japan's photo film distribution system under the auspices of the World Trade Organisation in Geneva.

The US government has sought WTO arbitration over alleged anti-competitive practices in the Japanese photo film market.

Its action follows claims by Eastman Kodak of the US that a "restrictive market structure" in Japan allows Fuji Photo Film and its affiliated distributors to dominate the market "with the complicity of the Japanese government".

Japanese trade officials said they wanted the US to explain its claims, although they were prepared to deny US charges that the rules and laws governing Japan's distribution system breached the General Agreement on Tariffs and Trade.

Officials from Japan's Ministry of International Trade and Industry, Ministry of Foreign Affairs and Fair Trade Commission, the anti-trust watchdog, are to take part in the two-day meeting.

The talks come soon after a Fuji announcement that it will acquire the photofinishing operations of Wal-Mart, the largest provider of photofinishing services in the US.

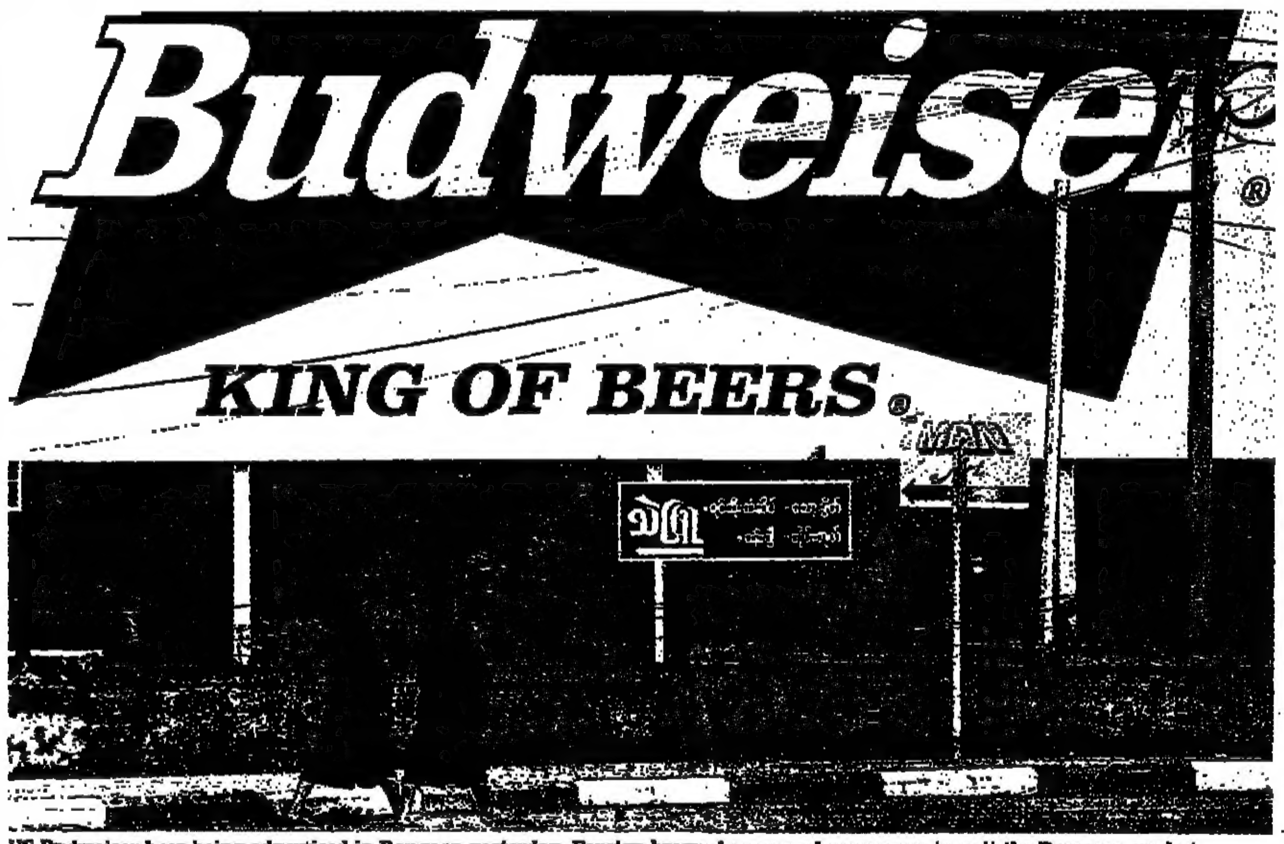
The terms of the agreement between Wal-Mart and Fuji were not disclosed, but the purchase – which includes six photofinishing plants, a distribution network and a long-term photofinishing services agreement – is estimated to have cost Fuji around $600m.

The deal is expected to boost Fuji's market share in the US to 10 per cent from the present 6 per cent.

The company is expanding its international distribution network and its Chinese distributor is increasing the number of photofinishing laboratories in China.

Wal-Mart, the largest retailer in the US, had been considering selling its plants to refocus its resources on the management of its core retail business in the face of slowing sales.

Kodak said the deal proved that the US market was "not only open but the most competitive market in the world", although it regretted Wal-Mart's decision to sell its wholesale photofinishing operations to a competitor.



US Budweiser beer being advertised in Rangoon yesterday. Foreign breweries are under pressure to quit the Burmese market AP

Heineken too faces mounting pressure from boycott campaigners

Carlsberg drops Burma project

By Hilary Barnes in Copenhagen and Gordon Cramb in Amsterdam

Carlsberg, the Danish brewery group which has a strong presence in Asian markets, yesterday told boycott campaigners it had dropped out of a joint venture project to build a brewery in Burma.

The brewery has been under pressure from The Danish Burma Committee, an influential pressure group strongly supported by Danish trade unions, to boycott Burma in protest at the country's military dictatorship and the recent unexplained death in prison of Mr James Leander Nichols, honorary consul in Rangoon for Denmark, Norway, Finland and Switzerland.

The withdrawal will add to pressure on Heineken. A subsidiary of the Dutch company is building a $30m brewery in the capital, Rangoon. Heineken has become a focus of a boycott campaign in the US, where its beer is the leading foreign brand.

PepsiCo earlier this year agreed to sell its stake in a Burmese cola bottling franchise after losing contracts to supply US college campuses and local governments, and Levi Strauss three years ago stopped buying cloth from Burma.

Ms Aung San Suu Kyi, the Burmese opposition leader whose National League for Democracy won elections six years ago which were immediately annulled by the armed forces, has urged multinational companies not to invest in the country while the military regime retains power.

Yesterday she also urged foreign tourists to stay away.

Carlsberg had postponed a decision on its Burmese joint venture investment after a meeting with the Burma Committee in May. But yesterday Carlsberg said in a letter to the committee that its joint venture partners had decided to go ahead without Carlsberg.

"We are out of the picture as an investor in the brewery joint venture project," said the letter, signed by Mr Michael Iuul, director for international affairs.

The tone of the letter was more irritated than apologetic. It pointed out that Carlsberg was not in business to pursue a foreign policy and had found it natural to look into establishing a brewery in Burma, which it considered to be a *market with significant* potential. The company did not want future business possibilities there to be weakened compared with its international competitors.

WORLD TRADE NEWS DIGEST

Kuwait in deal with Conoco

Conoco, the US oil company, and Kuwait have signed a technical services contract that could form the foundation for oil refining joint ventures in Asia.

The contract, the value of which was not disclosed, covers technical services that Conoco will provide to improve the efficiency of the three refineries operated in Kuwait by the state-owned Kuwait National Petroleum Company. Much of the output from the three sites is exported to Asia.

"We hope this provides a vehicle for a long-term relationship," said Mr Gary Edwards, vice-president in charge of downstream operations for Conoco, the energy subsidiary of the Du Pont chemical company.

He said that the two sides were looking at ways to expand the relationship, including the possibility of jointly running oil refineries in India. Kuwait is keen to supplement its exports to the Asian region with strategic direct investments in refineries in fast growing Asian energy markets.

Robert Corzine, London

Boost for Russian trade credit

Chase Manhattan Bank has organised a $400m loan programme for Russian companies to help them import US goods.

Mr Sergei Bobushko, president of Chase's Moscow subsidiary, said the Russian distribution finance programme would be backed by a 50 per cent guarantee from the US Overseas Private Investment Corporation. Chase will assume about 35 per cent of the risk and the US supplier the rest.

"This is an attempt to begin stimulating a functioning trade credit market in Russia," Mr Bobushko said.

At present few Russian banks are willing to lend to companies to pay for goods, and the companies are forced to pre-pay for goods or seek export credits. The programme will allow Russian companies to develop a track record for a credit history.

Reuter, Moscow

Indian fibres venture agreed

Reliance Industries, India's biggest petrochemicals and textiles group, yesterday announced that it would build a $140m plant to make industrial polyester fibres in a 50-50 joint venture with Hoechst Fibres, part of the German chemicals group Hoechst.

Reliance said work on the plant would begin later this year next to the group's existing petrochemicals and polymer complex at Hazira in the western state of Gujarat.

The venture, called Trevira Fibres India, using Hoechst's trademark, will make polyester industrial yarns for use in tyres and conveyor belts. Reliance said the plant would open in 1998 with an initial output of 25,000 tonnes of fibres a year.

Mark Nicholson, New Delhi

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for July 15 1996 to August 14 1996 (June 15 1996 to July 14 1996 in brackets).

D-Mark		
Ecu	6.71	(6.46)
French franc	n/a	(6.60)
Guilder	6.81	(6.67)
up to 5 years		
5 to 8.5 years	6.15	(5.86)
more than 8.5 years	7.00	(6.75)
Italian lira	7.80	(7.85)
Yen	8.58	(8.75)
Peseta	3.10	(3.10)
Sterling	9.38	(9.53)
Swiss franc	8.48	(8.56)
US dollar for credits	5.32	(5.25)
up to 5 years		
5 to 8.5 years	7.49	(7.27)
more than 8.5 years	7.69	(7.48)
	7.83	(7.66)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

Delhi clears way for $2.5bn Dabhol power plant

By Mark Nicholson in New Delhi

India's United Front government yesterday formally approved the $2.5bn Dabhol power project, India's biggest and most politically controversial foreign investment, after a year of suspension, renegotiation and reviews.

Mr Manohar Joshi, leader of Maharashtra's Hindu nationalist state government which "scrapped" the project last August, said the central government had agreed to provide financial guarantees for the project – the last impediment to clearance.

New Delhi's approval promises to close a saga which last year worried foreign investors, raising serious doubts about foreign investment in India's recently opened economy.

Enron, the US power group leading the project, in tandem with US groups Bechtel and GE, welcomed the news. Mr Sanjay Bhatnagar, Enron president and managing director said work could resume "fairly quickly" at the site 100km south of Bombay, where a third of the work has been completed, once Enron's lenders had approved the final documents. The project is financed by the US Overseas Private Investment Corporation (Opic), the US Eximbank, ABN-Amro, Bank of America and IDBI, India's biggest state-owned industrial lender.

The approval represents a *volte-face* by the Maharashtra government, which won state elections opposing the 2,015MW plant as too costly, environmentally damaging and carrying too high a power tariff. The Hindu nationalist coalition "scrapped" the project after taking power, finding an enthusiastic response from "economic nationalists" opposed to foreign investment.

At the time, the Dabhol project was the biggest foreign investment in India and the first private, foreign-backed power project to complete financing and begin construction. Problems and delays by most other foreign-backed power projects, partly resulting from other states undertaking their own reviews after Dabhol's cancellation, mean it will still be the first foreign power project to proceed.

The Maharashtra government changed tack last autumn after lobbying from industrialists concerned about power shortages and after Enron began legal proceedings. The government agreed to renegotiate the project last October. Since then, final approvals have been largely a formality.

An original tariff of Rs2.40 (7 cents) a unit was cut to Rs1.86, partly by expanding the plant's power capacity to 2,184MW. The project cost came down to $2.5bn from $2.8bn largely due to savings on generating equipment, the result of a worldwide fall in prices.

However, a further dispute beckons over the state government's liability for the $18m suspension costs.

NEWS: INTERNATIONAL

Showdown looms between Washington and developing world over re-election bid by Boutros Ghali

Africans back UN chief in rebuff to US

By Michela Wrong in Nairobi and Jurek Martin in Washington

A showdown between the US and the developing world loomed yesterday following endorsement by the Organisation of African Unity (OAU) of Mr Boutros Boutros Ghali's bid for re-election as United Nations secretary-general.

After several hours of discussion African heads of state meeting in the Cameroon capital, Yaoundé, adopted a resolution backing the secretary-general's attempt to win another five years at the UN helm. The negotiations delayed the formal opening of the three-day summit on Monday.

The adoption of the resolution will come as a disappointment to US President Bill Clinton's administration, which had taken the unusual step of sending Mr George Moose, assistant secretary of state and an expert on African affairs, to the 53-nation summit to argue its case.

It also sets the stage for a possible UN stand-off between the US, which is determined to veto Mr Boutros Ghali's re-election, and China, Russia and developing countries, which are more favourably disposed towards the 73-year-old Egyptian diplomat.

Mr Boutros Ghali, who originally said that he would stand for only one term, now says he needs a few more years to see through plans for restructuring the UN. His mandate expires in December.

Washington, which has been critical of Mr Boutros Ghali's record in handling such crises as Rwanda and Somalia, has made clear the $1.5bn it owes the UN, source of the organisation's cash crisis, would be jeopardised by his re-election.

The US administration had expected the OAU endorsement but Mr Nicholas Burns, from the State Department, said the US was determined to find an alternative candidate to Mr Boutros Ghali.

"It could be a candidate from Africa," he said, adding that the US respected the tradition of secretaries-general coming from different continents. Mr Khofi Annan, the Ghanaian who heads the UN peacekeeping division, has frequently been mentioned as a possibility.

However, Mr Burns added: "We don't exclude a candidate from another region. And I think that for the first time in the UN history it is now possible to look at a very large field of female candidates."

Although it is a sore blow to Washington, the wording of the OAU declaration suggests there may be room for compromise.

The resolution emphasises that the OAU's priority is to see that an African, rather than Mr Boutros Ghali himself, retains the top UN job. While recommending his candidature, it stresses "the historic importance of the tenure, by an African, of the post of secretary-general of the United Nations".

Zambia looks abroad for copper cure

By Mark Ashurst in Johannesburg

Zambia is looking to competition between international mining groups to cure its ailing copper industry, signalling a radical shift in policy from that of two years ago.

Mr Keli Walubita, Zambia's minister of mines and minerals development, embarked on plans for the partial privatisation of Zambia's copper mines this year following the advice of a World Bank delegation.

Zambia's copper production has fallen from a peak of 700,000 tonnes a year in 1969 to 300,000 tonnes last year. The country is now encouraging competition between rival South African mining houses to develop the rich Konkola copper belt in co-operation with the state-owned Zambia Consolidated Copper Mines.

Anglovaal Minerals, the Johannesburg-based mining and industrial group, announced this week it had won exclusive rights to develop Zambia's Konkola North reserve in co-operation with ZCCM. The deal, which excludes rival Anglo American Corporation, signals the government's new-found willingness to encourage competition between foreign mining companies.

Anglo American is currently negotiating with ZCCM to develop the adjacent Konkola Deeps copper belt. The Anglo group said: "We have a memorandum of understanding with the Zambian government that we will put together a consortium to develop Konkola Deeps. Negotiations are at an early stage."

Just two years ago, ZCCM rejected a similar proposal from Anglo American to develop Konkola Deeps because the Zambian state-controlled company would have held only a minority stake.

The programme to bring in private funds to develop mines faces difficulties. The weak copper price, bureaucratic hurdles and underdeveloped infrastructure are the principal obstacles to reviving what was once the world's biggest copper supplier.

Analysts suggested investors, wary of the weak copper price and the current copper surplus, would welcome the pooling of the two Konkola reserves into a single development. This could yet happen if feasibility studies at Konkola North are successful: the project is likely to cost between \$500m and \$1bn, an investment that Anglovaal can not finance without new partners in Zambia.

Warning on spread of new HIV strains

By Daniel Green in Vancouver

The rapid spread of new strains of HIV across the globe has increased the urgency in the search for a vaccine, the Eleventh International Conference on Aids was warned.

"It is clear the Aids epidemic will not decline without availability of preventive vaccines," said Mr Luc Montaigner, head of the Aids and Retrovirus department at the Pasteur Institute in France, and a co-discoverer in the 1980s of the Aids virus.

Calling for for international collaboration between academic laboratories and pharmaceuticals companies to work on HIV/Aids vaccines, he and others at the conference warned there were several years of research still required before an effective vaccine against HIV could be developed. Vaccines need only be given once or twice rather than taken daily, thus avoiding the danger of patients not taking them properly.

Mr Richard Parker, chairman of the department of Health Policy at the State University of Rio de Janeiro, yesterday called for a policy shift in managing the spread of HIV/Aids infection from measures to change individuals' behaviour to those designed to change social structures.

Programmes so far have concentrated on individual behaviour change, advertising the need to use condoms. However, there is a growing realisation that some social groups, such as women in developing countries, are unable to protect themselves against infection if men refused to use condoms.

Opening the second day of the conference, Prof Parker said that such "social injustice" would lead by 2000 to 90 per cent of HIV infected people living in developing countries.

Prof Parker reflected concerns at the conference that latest breakthroughs in drug therapy would not be applicable to developing countries.

Apart from costs – between US\$10,000 and US\$15,000 a year – the drugs could not be distributed or administered effectively because of conditions under which they must be taken. New treatments involve combinations of drugs. Each has to be taken several times a day, some not within two hours of eating food or one of the other drugs in the regimen and some must be taken with large volumes of water.

Glaxo to market triple combination of Aids drugs, Page 18

The latest range of Aids treatments – combinations of drugs that have had dramatic results in short-term trials – could prove a false dawn, warned Mr Robert Gallo (pictured above), *co-discoverer of the Aids virus HIV, writes Daniel Green.*

Mr Gallo packed one of the main halls at the Eleventh International Conference on Aids in Vancouver as he told delegates there were strong parallels between the state of Aids treatments now and that for cancer in the 1960s. Then, combination therapies for cancer were in their infancy and held out much hope of success. "We eventually saw the cure of a few cancers like some childhood leukaemias," he said. "The principles are similar but so are the problems."

Many cancers eventually resist drugs, as HIV has resisted several treatments, he said. Some patients with cancer or HIV cannot tolerate the side effects, and the drugs themselves can cause illness. However there had been genuine progress for the first time in five years.

INTERNATIONAL NEWS DIGEST

Copper users demand action

The International Wrought Copper Council, representing copper users, yesterday urged the London Metal Exchange to act if it wanted to retain its central role in the world market. Britain's Securities and Investments Board is reviewing the role of the LME in the wake of the Sumitomo copper scandal. The LME said it would examine a number of detailed suggestions which leading copper users had made in a meeting with the exchange's chairman, chief executive and members of the board. The IWCC said discussions had not touched "on specific trading situations or on the activities of individual market participants".

Copper users repeated their support for the LME as a "barometer of the value for copper as a global commodity, as a hedging mechanism and as a market of physical delivery and supply of last resort," the IWCC said. But "these principles could be impaired if confidence in the market was undermined."

The IWCC quoted one leading consumer as saying that a "system for identifying and remedying possible abuses of free market mechanisms must work and must be seen to work." *Clay Harris, London*

W Africa in stock market plan

Seven francophone West African countries plan to open a regional stock market next year.

The seven propose to turn the Ivory Coast's 20-year-old stock exchange into a regional bourse that will serve Benin, Bukina Faso, Ivory Coast, Mali, Niger, Senegal and Togo. The seven are all members of the West Africa Economic and Monetary Union. The new exchange will trade both shares and a range of financial products including government debt.

Mr Charles Konan Banny, governor of the central bank of West African states, said: "It is a matter of giving ourselves the means to respond to the enormous financing needs of our economies."

Mr Kofi Bucknor, executive director for Lehman Brothers, the US investment bank, said in London: "It makes sense to have a regional exchange. It creates the economics of scale that justify investing in the region. Abidjan is a sophisticated financial centre and has the the largest pool of prospective investors."

However, he stressed the need for improvement in communication links between the seven countries if the venture is to succeed. *Joel Kibazo, London*

Uganda 'torturing civilians'

Torture and abuse against civilians continue in Uganda despite improvements in its rights record, human rights group Amnesty International said in a report released yesterday.

The London-based group said some suspects and prisoners had died during interrogation and that the Ugandan army continued to detain civilians in military facilities. "At least three people were reported to have died in custody in suspicious circumstances," Amnesty said.

Political analysts say President Yoweri Museveni's government has a better human rights record than its predecessors but the Amnesty report accused it of harassing political opponents. Analysts say torture, which was widespread and systematic under the previous governments of dictator Idi Amin and Mr Milton Obote, had been greatly reduced but not eliminated. The report based its findings on incidents in 1995 and said at least 110 people were arrested and charged with treason or failing to give information about alleged cases of treason. *Reuter, Kampala*

Long life not early death is now Americans' central concern

US life insurance industry sails into the doldrums

They were known as "vanishing premiums". To judge by the millions of Americans who bought these life insurance policies – 3m alone from New York Life – they were one of the most popular new forms of life insurance of the early 1990s.

The theory was simple. High yields on bonds bought with the initial premiums would generate returns big enough to cover future premium payments. The holders would never have to write another cheque. In the event US interest rates fell rapidly.

"The vanishing premiums didn't vanish," says Mr Mark Puccia, managing director at Standard & Poor's, the US credit rating agency. The US life insurance industry is now mired in legal disputes with customers who claim they were misled about the real risks of such policies.

That is just one of a series of nationwide disputes that has cast a shadow over the way life insurance companies have drummed up sales in the 1990s.

Prudential Insurance, the country's biggest life insurer, formally agreed yesterday to pay restitution to millions of customers who were victims of "churning" – encouraging them to cash in existing policies and buy new ones. Metropolitan Life, the second biggest, has itself agreed to an extensive compensation programme for customers who say they were misled.

This slew of litigation is, in part, a reflection of the poor control life companies have exerted over the armies of independent sales agents who sell more than 97 per cent of new policies in the US.

More than this, it points to underlying weaknesses which the life insurers have been slow to admit to, let alone deal with. These have served to squeeze the income of life insurance agents. And that, in turn, has added to the pressures on agents to generate new sales any way they can.

One underlying problem has been the remarkable decline in the popularity of life insurance in the US. In nominal terms, sales of new life policies have remained constant at around $10bn a year for the past decade: in real terms, though, they have fallen steadily. Also, the number of new policies sold each year has dropped by nearly a third since the early 1980s, as Americans have shifted their attention to other forms of investment.

"People these days are more concerned about living too long than dying too soon," says Mr Steve Orluck, vice-president in charge of individual sales at MetLife. The result has been a boom in retirement savings, in large part through mutual funds. In terms of size, the mutual fund industry overtook the life insurance industry three years ago.

The second problem has been the chronic inefficiency of a sales system that relies on an army of agents to sell policies face-to-face. In an era of telemarketing and direct sales, this is an expensive way of generating business. The high front-end commissions paid to life insurance agents look particularly anachronistic compared with mutual funds, which do not impose an entry charge on new customers.

Against this background, it has become increasingly difficult for the life companies to develop and maintain loyal, well-trained agency forces. The number of insurance agents has fallen steadily, along with the number of new policies sold. And new agents do not stay in the industry long: according to Mr Puccia at Standard & Poor's, five out of every six new agents quits within four years.

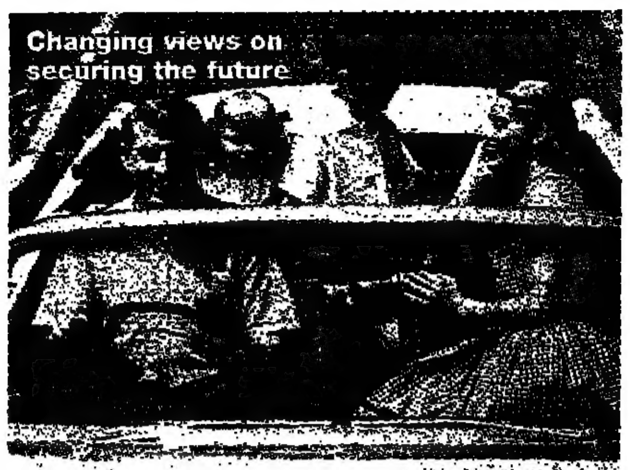
Yet the life companies have been hesitant about finding new, more efficient ways to sell their policies. For fear of antagonising their agents, most have been loathe to develop new channels of distribution that might be viewed as competition.

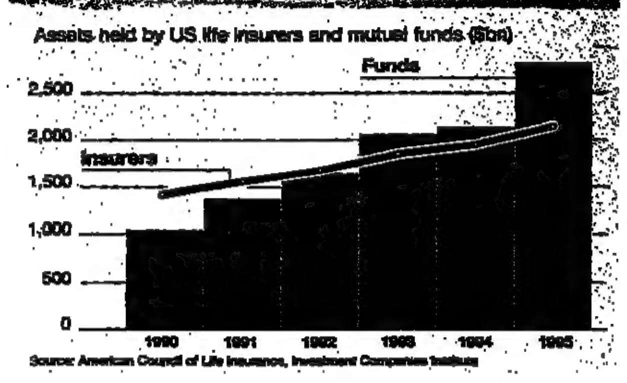
That attitude seems now to be changing. Spurred by a series of legal victories which have extended their powers to sell insurance, US banks are making a push into the business.

Sensing this change, a number of life companies, including Prudential and MetLife, have said they are considering using banks to sell their policies.

The life insurance agents, says Mr Orluck at MetLife, have little choice but to accept this shift. "Nobody likes competition," he says. "But they have come to realise the reality of the situation. We can't put our head in the sand."

Richard Waters





Prudential Insurance, the US's biggest life insurance company, allowed widespread sales abuses by its agents to continue for more than a decade, a group of state insurance regulators said yesterday.

Their report, and a compensation plan which could cost the company up to $1bn covering more than 10m of the company's policyholders, marks the culmination of a year-long investigation into the company.

The group of regulators from 30 states also recommended that Prudential pay fines totalling $35m, the most ever imposed on a US insurer.

The abuses centred on practices known as "churning" and "twisting," regulators said. Churning involves encouraging customers to cash in one policy to buy a new one, generating new commissions for the agent, while twisting is the sale of insurance based on inaccurate comparisons.

Under the compensation arrangement, Prudential will write to all who bought its policies between 1983 and 1995, inviting them to file a claim if they believe they were misled.

Bertha kills three as hurricane worsens

Strengthening Hurricane Bertha appeared to be veering away from the south-eastern US coastline yesterday after swirling through the eastern Caribbean, killing at least three people, Reuter reports from Nassau, Bahamas.

Bertha, its winds blowing at 115 mph, curved slightly north, which would spare much of the Bahamas as well as Florida, Georgia and South Carolina, the national hurricane centre said. But North Carolina remained vulnerable to Bertha's winds some time tomorrow, depending on the storm's path, forecasters said.

A hurricane warning remained in effect for the Turks and Caicos Islands, and for the central and south Bahamas.

Mr George Charite, head of the Red Cross on Grand Bahamas, said 32 shelters were being prepared. Residents of the Bahamas, a chain of tiny islands stretching for some 600 miles, were stocking up on torches, batteries and bottled water.

The storm, the first hurricane of the Atlantic season, was upgraded early yesterday to a dangerous category 3 storm capable of deadly destruction when its winds topped 111 mph.

Bertha, which was a minimal hurricane on Monday with winds of 80 mph, caused relatively minor damage throughout the British and US Virgin Islands, Puerto Rico, Antigua and Barbuda and a few other tiny islands in the eastern Caribbean.

The wind tore off roofs from houses, sent palm fronds flying and downed power and telephone lines, according to officials in the Leeward islands. By yesterday airports, banks and shops had reopened, and repair crews had restored much of the power and telephone service.

At least three deaths were blamed on the storm. In Puerto Rico, two men died when they lost control of their car on roads during heavy downpours of rain and another man drowned while surfing off Luquillo.

Although it appeared the hurricane would spare the south-eastern US coastline, federal officials urged residents to keep an eye on Bertha.

"People need to take storm warnings very seriously," said Mr James Witt, director of the Federal Emergency Management Agency.

BIG BERTHA: the first Atlantic hurricane of the season hits Puerto Rico Reuters

Crusader Lamm throws hat into presidential ring

By Jurek Martin in Washington

Mr Richard Lamm, the 60-year-old former governor of Colorado, yesterday threw his hat into the US presidential ring by announcing that he would seek the nomination of Mr Ross Perot's Reform Party.

He said in Denver that neither the Democrats, his party, nor the Republicans were capable of dealing with "the most pressing issues of our time."

Necessary reforms could not be carried out "in the existing political dialogue" by the two main parties, both "petrified into inaction" by their obligations to special interests, he said.

Mr Lamm, governor of Colorado from 1979 to 1987 and subsequently an unsuccessful Senate candidate, promised a grass-roots campaign on the premise that "America must ask itself not what it wants but what it can afford."

He described the New Deal – the great social legislation introduced under President Franklin Roosevelt in the 1930s – as now "a raw deal for our children".

The "entitlement ethic", he said, must give way to the "self responsibility ethic". Specifically he would severely limit social benefits to wealthy older Americans and begin to privatise the social security system.

As governor and later, Mr Lamm became well known for his tendency to take an apocalyptic and frequently emotional view of the state of the nation.

His most recent crusade, very much in the same vein, has been against immigration, legal and illegal.

His announcement technically pits him against Mr Perot, the 1992 independent presidential candidate, for the Reform Party nomination, to be decided next month by electronic and postal voting at two mini-conventions – in Long Beach, California, and in Valley Forge, Pennsylvania.

There is little doubt that if Mr Perot decides to run he would beat Mr Lamm. But the former governor is easily the most prominent politician to be attracted to the Reform Party ranks and it is perfectly possible that the Texas billionaire could take satisfaction in that fact and choose to stay on the notional sidelines.

However, the Reform Party – and particularly Mr Lamm, who is not independently wealthy – needs Mr Perot's finances. His presence on the ballot may also be necessary if the party is to receive federal matching funds, which could total $30m.

The spokesman for the campaign of Mr Bob Dole, the certain Republican candidate, thought the presence of two Democrats on the November ballot – President Bill Clinton and Mr Lamm – could "help the lone Republican."

Mr Clinton, an old friend of Mr Lamm's, said he was not bothered by his entrance into the race.

Democrats generally believe a respectable Reform Party showing makes it harder for Mr Dole to overcome the president's current substantial polling lead.

AMERICAN NEWS DIGEST

Investment flow to US loses pace

Foreign investment in the US rose for the third consecutive year in 1995, the Commerce Department said yesterday, but at a much slower rate than the boom levels of 1994 and 1993.

The department said outlays for new investment increased by $8.7bn, or 19 per cent, to $54.4bn last year. They had jumped 74 per cent and 71 per cent, respectively, in the two previous years.

Despite these increases, the department said new investment remained well below the 1988 peak level of $72.7bn, largely because of a sharp reduction in the level of new investments from Japan.

The largest foreign investors in 1995 were Germany with $14.2bn against only $3.3bn in 1994; Britain with $9.7bn ($17.3bn in 1994); and Canada with $6.5bn ($4.1bn in 1994), the department said. *Reuter, Washington*

GM recalls nearly 300,000 cars

General Motors is recalling nearly 300,000 1996 and 1997 models because of a defect that may make the cars backfire and in rare cases lead to engine fires, the company said yesterday.

The recall of 292,860 cars includes some 1996 Pontiac Bonneville saloons, Oldsmobile Ninety-Eight and Eighty-Eight luxury cars, Buick Park Avenue, LeSabre, Riviera and Regal models and some 1997 LeSabre saloons that have 3.8 litre engines, all built before May 1996.

A GM official said the problem, which was discovered through reports from consumers, starts when the cars backfire. That can break the intake manifold in some cases and stop the car starting. No accidents or injuries had been reported because of the problem. However, GM's recall notice tells drivers not to start the cars with the bonnet open. The company refused to say how much the recall would cost. *AP, Detroit*

US airline safety under fire

The US airline industry needs to pay more than just "lip service" to improve safety, one of the Federal Aviation Administration's harshest critics said less than 24 hours after leaving her government watchdog job.

Ms Mary Schiavo, who resigned on Monday as the Transportation Department's inspector general, said she intended to remain outspoken.

"There's a tremendous amount of work that has to be done. We've had a lot of lip service over the years," she said in interviews on morning television.

Ms Schiavo in recent months has offered blistering assessments of the FAA. Her public visibility increased dramatically in the aftermath of the ValuJet crash in the Florida Everglades in May.

But she has not been free of criticism herself. Members of Congress have suggested she should have passed her concerns on to them before airing them publicly. *AP, Washington*

Rao ordered to appear in fraud case

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao, the former Indian prime minister, has been summoned to answer allegations in a conspiracy case with a controversial mystic, whose acolytes include the film star Elizabeth Taylor.

India's former Congress party prime minister will appear before a Delhi court on July 24, accused of conspiring with the rotund, bearded and bejewelled Mr Nemi Chand Jain, known as Chandraswami, to defraud a British-based businessman of $100,000.

Mr Prem Kumar, a senior magistrate, said Mr Rao must appear to answer what he called "shocking" charges of "criminal conspiracy" made during a case last week by Mr Lakhubai Pathak, the London-based businessman. Mr Rao has denied the allegations, which arise from a case brought by Mr Pathak that came to court this year after eight years of investigations.

The charges cast a further cloud over India's political establishment following a Rs60bn ($1.7bn) political bribes scandal earlier this year which led to charges against 25 senior politicians including seven ministers in the former Congress party government, defeated in May's elections.

Mr Kumar said Mr Rao's status "cannot confer on him any immunity, protection or superior right", adding that "it would be in his interest as well that, being in public life, his image remains pure and clean". He said the court was therefore obliged to summon him to answer the charges.

Mr Pathak charged in a Delhi court last week that Mr Rao had been party to a conspiracy to defraud him of the money, which he said he had paid in 1983 to secure newsprint and pulp contracts. Mr Rao was at the time foreign minister in the government of Rajiv Gandhi, former prime minister.

Chandraswami is a high-living faith healer and Indian "god man" who operates a large ashram in Delhi and whose followers allegedly include Mr Rao. The pair have known each other since Mr Rao began his political career in Andrha Pradesh. Chandraswami was arrested in May following a probe by India's federal Central Bureau of Investigation. He has been investigated for a number of other charges, including a fine in May for a breach of currency rules.

Mr Pathak alleges that Chandraswami, his assistant and Mr Rao cheated him of the $100,000, which he said was paid to Chandraswami in a New York hotel in 1983. He alleged that he made the $100,000 payment after meeting Mr Rao, whom he also alleged had been told "everything" about the desired contracts.

Mr Rao has repeatedly denied any special relationship with the colourful and controversial Chandraswami or any involvement in the case. However, the charges are certain to increase the pressure on Mr Rao to quit as leader of Congress, which suffered an historically poor electoral showing in the April-May elections.

The charges may also prove deeply uncomfortable for the United Front government, which depends upon the support of Congress' 142 MPs in parliament.

Bangkok names central bank chief


Rerngchai Marakanonda: low-key

By Ted Bardacke in Bangkok

Thailand's cabinet yesterday named Mr Rerngchai Marakanonda, a soft-spoken 25-year central bank veteran, as the new head of the Bank of Thailand.

Mr Rerngchai replaces Mr Vijit Supinit, who resigned last week amid financial scandals and increasing political intervention in the policies of the central bank, which has a reputation for being one of the most independent in Asia.

The selection of a central bank insider is seen as a major step forward in protecting the Bank of Thailand's independence and restoring staff morale, which has sunk of late.

Mr Rerngchai has been a deputy governor for the past six years and has worked in some of the Bank of Thailand's most important departments, including bank supervision, a hot spot for the bank as the Thai market is steadily liberalised.

Mr Rerngchai, 54, was not as close to Mr Vijit as another inside candidate for the position, Mr Chaiyawat Wibulswasdi, also a deputy governor. During Mr Vijit's reign, Mr Chaiyawat was given higher profile roles in areas such as exchange rate and interest rate management.

The new governor's lack of visibility, combined with his low-key style, has led to some concerns about whether he is strong enough to resist the inevitable attempts by politicians and commercial bankers to interfere with central bank policy. Some in the Thai financial community had recommended that prime minister Banharn Sipla-archa appoint a high-profile outsider in an attempt to shake up the bank.

But most analysts believe a methodical manager like Mr Rerngchai, who studied at Japan's Keito University and at the London School of Economics, is what the bank needs after Mr Vijit, who had a penchant for political allegiances that eventually detracted from the bank's credibility.

"He's a central banker and that's all. He'll get on and do his job," said Mr Graham Catterwell, head of equities at Deutsche Morgan Grenfell in Thailand.

Mr Bodi Chunnananda, the finance minister, who had a sustained conflict with Mr Vijit over interest rate policy, said Mr Rerngchai would be given free rein at the bank. "The governor will be able to disagree on any subject. He won't have to bend to the wishes of the finance minister," Mr Bodi said.

Hong Kong fortified by a quiet revolution

John Ridding examines evidence that an economic transformation has sharpened competitiveness

Away from the heated debate on Hong Kong's political future, the capitalist system – which will be subject to communist sovereignty from July 1 next year – has been undergoing a quiet revolution. This transformation has seen one of Asia's most dynamic traders export a large part of its own economy, shifting simultaneously towards information-based and service industries.

The result, underlined in a study by professors from the Harvard Business School, is an economy more resilient and more dynamic than portrayed by conventional measurements.

This analysis rejects bleak forecasts for the post-1997 period. But it points to the need for careful handling during the transition and further efficiency gains to keep Hong Kong ahead of regional rivals.

"We have a very robust system," says Mr Victor Fung, chairman of Li & Fung, the trading company and a member of the study's steering group. "Hong Kong will remain a potent competitor in the decades ahead."

This might seem at odds with recent statistics. Growth in gross domestic product of 4.6 per cent in 1995 and a forecast of 5 per cent this year – considered ambitious by many economists – is lacklustre in comparison with Hong Kong's track record and the performance of regional rivals. Manufacturing shows signs of post-industrial decline, with its share of GDP falling from 24 per cent in 1979 to less than 15 per cent today, and its workforce halving to below 400,000.

These figures, however, are deceptive. Manufacturing has not disappeared, it has just moved location. Hong Kong companies now employ more than 5m in China, most in the Pearl River Delta, and many more across the region.

With the departure of low-value manufacturing processes to cheaper production centres, headquarters in Hong Kong have concentrated on developing sophisticated marketing, design and commercial activities. These are often re-classified as service businesses, accentuating the statistical shift from manufacturing.

"Many people doing the same jobs in the same companies are now classed as services workers," says Professor Michael Enright, who led the Harvard study. He argues that "Hong Kong manufacturing today is stronger than it has ever been".

It is a similarly story with trade performance. Mr Fung stresses the importance of "offshore trade" to the territory's economy. "Our Shanghai office buys goods and ships them to America. Nothing appears on Hong Kong's trade statistics. But Hong Kong benefits. Everything is driven from here; we repatriate profits, we use Hong Kong banking services... and so on."

A survey conducted at the end of last year by the territory's Trade Development Council estimated offshore trade at US$84bn. Invisible income from this trade is estimated at 10 per cent of GDP.

More important than statistical shortcomings are the real changes that have caused them. Hong Kong, in the terms of the Harvard study, has evolved as a packager and integrator, organising industrial activities to match supply and demand in such areas as manufacturing, financial investment and infrastructure.

Thousands of transnational companies based in the territory act as sourcing centres, managing design, marketing and distribution for overseas operations. Hong Kong itself has strengthened its position as a centre for related services, from shipping to trade finance.

For Mr Jim Rohwer, chief economist for Asia at C.S. First Boston, it is a system which plays to Hong Kong's traditional strengths: "It is the most managerially adept economy in Asia for this type of activity."

It is also a lucrative system. Mr Fung refers to the "four to one rule" in which a product that costs US$1 when it leaves a factory gate in Asia is worth US$4 by the time it has passed through distribution channels to reach international retail outlets. "Many manufacturers are obsessed with shaving five cents from the factory gate value. In Hong Kong we are looking instead at the US$3 that can be massaged by developing distribution technology."

There is more than these activities to the Hong Kong economy, which ranges from traditional property and engineering concerns to powerful utilities. But as Mr Enright points out, Hong Kong's shift to information-based businesses will enable it to capitalise on China's rapid growth and the expansion of intra-regional trade. "Major international business and economic trends are playing into Hong Kong's hands," he says.

The territory's economic transformation, however, also brings new risks and challenges. For most in the business community the high land and labour costs that have encouraged the dispersal of Hong Kong's economy must be contained if the territory is to prevent corporate migration to regional rivals, from Shanghai to Sydney. A level playing field, with no bias towards mainland groups, and the maintenance of the rule of law are also stressed as vital in securing Hong Kong's position.

Singapore, in particular, has sought to capitalise on uncertainties ahead of Hong Kong's return to China. Television advertisements in Hong Kong extol the attractions of the city state and point to efforts to draw businesses and investors.

Mr Enright argues that Hong Kong has different advantages from Singapore, citing its strength in entrepreneurial "hustle" strategies, which he distinguishes from "commitment" strategies of large-scale investments.

But these advantages require a free hand for Hong Kong business. "Freedom of information and movement and the absence of political intervention are indispensable to our system," says one executive. "If these freedoms were to be curbed after the handover, or if the playing field became uneven, then it would deal a heavy blow to Hong Kong Inc."

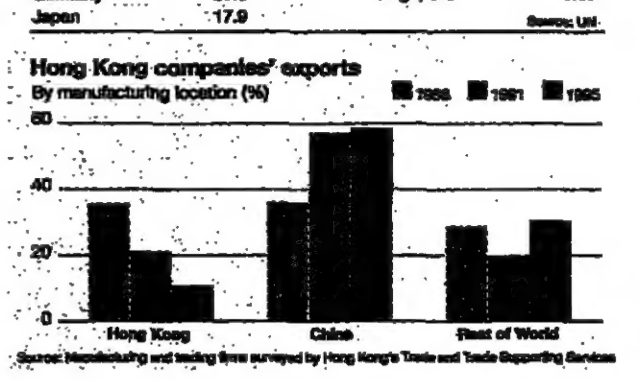
Hong Kong: looking further afield

Outward foreign direct investment
$bn (1994)

US	45.6	S. Korea	2.07
UK	25.1	China	2.00
France	22.9	Taiwan	1.99
Hong Kong	21.0	Malaysia	1.75
Germany	20.6	Singapore	0.65
Japan	17.9		

Source: UN

Hong Kong companies' exports
By manufacturing location (%)



Source: Manufacturing and trading firms surveyed by Hong Kong's Trade and Trade Supporting Services

ASIA-PACIFIC NEWS DIGEST

Japanese warship to visit Russia

A Japanese destroyer will visit Vladivostok in Russia's far east later this month, the first Japanese warship to call at a Russian port in more than 70 years, Japan's navy said yesterday. The 5,200 tonne destroyer Kurama will visit Vladivostok from July 26 to 29 to take part in events marking the 300th anniversary of the Russian navy, said Admiral Kazuya Natsukawa, chief of staff of Japan's maritime self-defence force.

"This is indeed an important and historic visit and we hope this will greatly contribute to building trust and confidence with Russia," Admiral Natsukawa said.

Japan has fought Russia four times this century and saw the Soviet Union as the greatest military threat during the cold war, when the attention of the Japanese armed forces was focused on Vladivostok. *Reuter, Tokyo*

Suharto health checks start

President Suharto of Indonesia began three days of medical checks in Germany yesterday as wary financial markets at home waited for news about his health. Mr Suharto, 75, had looked relaxed and well after his arrival in the country. The Bad Oeynhausen clinic, which specialises in treating heart conditions, said Mr Suharto had begun the programme of checks with a general examination including a blood test.

The rupiah and the Indonesian stock market fell last week after rumours about Mr Suharto's health. *Reuter, Jakarta*

Cambodia makes logging pledge

Cambodia is likely to receive $20m from the International Monetary Fund in the next few months after giving the fund assurances about its logging policy, an IMF official said yesterday. Mr Michael Kuhn, assistant director of the Central Asia Department at the IMF, said "if things go well" the IMF money could be released by October.

The IMF money is the fourth tranche of a three-year, $120m IMF programme to support the Cambodian economy. The payment was to have been made in May but the IMF held it back over concerns that earnings from Cambodia's logging industry were not going to the state budget and that deals were being struck with other countries in spite of the nation's ban on exports. *AP-DJ, Tokyo*

Ramos quells opposition to Moslem autonomy deal

By Edward Luce in Manila

Philippine local government leaders have backed down from plans to declare "symbolic" war on a deal giving autonomy to the country's minority Moslem population after President Fidel Ramos threatened to prosecute them for sedition.

Their protest, which comes three weeks after the government and the largest Moslem separatist group agreed to the creation of an autonomous zone covering 14 provinces and nine cities in the south, was to have been symbolised by flying the Philippine flag upside down.

The government and the Moro National Liberation Front (MNLF), which represents most of the country's 5m Moslems, are to resume high-level peace talks today to determine how to integrate Moslem guerrillas into the Philippine army and police force. Fighting between the MNLF and government forces claimed an estimated 50,000 lives between 1972 and 1992.

Philippine government officials said Manila would stand firm by the deal with the Moslems and would quash any further "sedition" actions by Christian local government leaders.

"Our message to Christians in the south is that the alternative to the autonomous council is much worse," said Mr Ruben Torres, executive secretary to the president. "We cannot afford to go to war with our Moslem brothers again. We have to have peace in the entire country."

Under last month's agreement an 81-member consultative council will be set up later this year under the chairmanship of Mr Nur Misuari, head of the MNLF, who returned from exile in Saudi Arabia two years ago to take part in peace talks.

The council, known as the southern Philippine council for peace and development, will cover most of Mindanao, the country's second largest island, and the islands of Sulu, Palawan and Basilan – almost a quarter of Philippine territory.

After three years a plebiscite will be held to determine which provinces will join a more powerful and permanent autonomous structure for the Moslems. Most people in the zone are non-Moslem.

President Ramos, who was greeted by thousands of angry demonstrators last week on a visit to Mindanao to explain the deal, has made it a government priority to end the 24-year insurgency by the end of his term in 1998.

Mr Ramos, a former four-star general, all but extinguished the dwindling 30-year communist insurgency in 1992 by declaring a general amnesty for the rebels.

The insurgency in Mindanao, however, which the government alleges has been fuelled mainly by weapons smuggled in from Pakistan, is considered less tractable.

Ending the insurgency – the last serious remaining threat to political stability since democracy was restored to the Philippines in 1986 – is also considered vital to the country's wider economic prospects.

Edward Mortimer: On the Middle Path, Page 10

China presses US on Taiwan

By Sophie Roell in Beijing

China yesterday called for "concrete action" by Washington to affirm the US's "one-China" policy – towards Beijing and Taiwan – following meetings between Mr Anthony Lake, the US national security adviser, and Chinese officials.

Reporters had asked whether the US had agreed to avoid confrontations with China over Taiwan, and Mr Cui Tiankai, foreign ministry spokesman, said China hoped the US's "repeated reaffirmation" of support for a one-China policy, would be translated into "concrete action".

The White House yesterday suggested Mr Lake's visit might set the stage for reciprocal state visits by US President Bill Clinton and Chinese President Jiang Zemin. Mr Mike McCurry, a White House spokesman, said the visits might be announced soon in Beijing.

Mr Lake met Chinese officials in Beijing yesterday, and is expected to meet the chairman of the semi-official Association for Relations across the Taiwan Strait in Shanghai today, in an effort to persuade the association to resume talks with Taipei, suspended after a US visit by Mr Lee Teng-hui, Taiwan's president, last year.

Mr Cui said Taiwan – which China considers a renegade province – remained the most sensitive and important issue affecting relations between China and the US.

China considers a clear demonstration by Taiwan of its commitment to a one-China policy a prerequisite for re-opening talks, while Taiwan insists talks should proceed regardless.

Mr Lake's meeting in Shanghai follows exchanges between the semi-official body and its Taiwanese counterpart, the Straits Exchange Foundation, as well as comments in the Chinese media pressing for the resumption of dialogues between the two countries.

India growth drives Nepalese turbines

Prospects are good for the expansion of hydro-electric power, writes **Stewart Dalby**

A shortage of energy needed to drive market-led growth in neighbouring India is providing poor, landlocked Nepal with what some economists regard as its best-ever prospect for development.

A World Bank report estimates that Nepal has 83,000MW in hydropower potential, about half of which has been shown to be economically viable. At present it has total installed hydropower of 237MW, about 0.6 per cent of its potential.

This is not enough to meet its own energy needs, let alone allow for exports.

With a rapidly growing population of 19m and an annual income per head of about $200, Nepal is one of the world's poorest countries. Notwithstanding special cases, such as those African states that have suffered the double scourge of protracted civil war and drought, it is also one of the world's most aided countries. This year multilateral and bilateral donors will give Nepal $400m in aid, about 30 per cent of its total budget.

"Hydropower is the wave that could give Nepal the lift that it really needs," says one US observer. "Tourism is important but it could not dramatically change the country's fortunes the way proper use of hydropower could."

However, start-up costs are prohibitive. Development of hydropower is like oil, where exploration and exploitation are expensive. The potential is long-term, when the returns start flowing.

As the US observer says: "There is one critical difference between the exploitation of oil and water. Once the oil is discovered and raised there is an established world market and established prices for it. With electricity from hydropower there are often monopoly buyers with no clear pricing systems."

This has meant that the private sector has tended to shy away from hydro industries and has left it to multilateral institutions such as the World Bank and the Asian Development Bank to find the large sums necessary for such projects.

These institutions are often subject to pressures the private sector is not. In the middle of last year, for instance, the World Bank, after pressure from non-governmental organisations, cancelled the $600m Arun III hydro-electric project on environmental grounds. This would have almost doubled Nepal's installed hydro-electric capacity by adding 201MW.

This persuaded people in Nepal that private sector involvement should be sought. With liberalisations and privatisations elsewhere on the sub-continent this is beginning to happen.

Earlier this year arrangements were finalised for the 60MW Khimti Khola HEP, which has private finance from Norway. Later this year the first private US-Nepal joint venture is expected to be signed for the 36MW Upper Bhote Koshi HEP.

When it comes to exporting energy there have been problems with India, the monopoly buyer. India has not been kindly disposed towards helping Nepal in this area, because it has not seen the need to import power. Besides, there would be problems with pricing. India subsidises its electricity through its state electricity boards. The central government in India refuses to underwrite any contracts entered into by the state boards, which have a reputation as bad payers.

But things are changing. As India's economy continues to flourish it faces a power shortage. According to a report drawn up for US businessmen in Kathmandu, India has missed its power generation target for the eighth five-year plan by 11,500MW. It must add 11,000-12,000MW a year between 1997 and 2002 for a total of 62,000MW. Until now it has been able to add only 4,500MW a year. This implies a gap of 40,000MW.

In February India and Nepal signed the Mahagali River Treaty which allows the joint exploitation of this western boundary waterway. It also signed a power trade agreement allowing for various types of power sales across the Indo-Nepal border.

Mr Pashupati Shumshere Rana, the Nepalese minister for water resources, regards the agreement as more than a significant first step towards co-operation with India. "This is a real breakthrough," he says. "If the Pancheswor hydropower project based on the Mahagali river comes to fruition it would wipe out our trade deficit with India."

The treaty still has to be ratified by a two-thirds majority in the Nepalese parliament, which is by no means certain, and it could be 12 years at least before the project, for 6,000MW, gets under way. But a start has been made.

Industrial conglomerate's south Wales plan is expected to create 6,100 jobs

LG to announce £1.7bn complex

By John Burton in Seoul, Roland Adburgham in Bristol and Stefan Wagstyl in London

LG, the South Korean industrial conglomerate, is expected to announce today plans to build a £1.7bn ($2.6bn) electronics complex in South Wales, which will create 6,100 jobs in the largest inward investment ever made in Europe.

The project, which was due to be confirmed in Seoul today by LG officials and Mr William Hague, the Welsh secretary, will underline Britain's position as the biggest magnet for foreign investment in the EU. Britain's governing Conservative party will hope this economic success will boost its flagging political fortunes in Wales and elsewhere.

The complex will consist of two factories – a semiconductor plant with 1,700 jobs to be built by LG Semiconductor and a consumer electronics plant run by LG Electronics which will expand employment steadily up to a proposed peak of 4,400.

The semiconductor factory will produce next-generation 64 megabit and 256 megabit computer memory chips. The consumer electronics plant will start by making television components and later make wide-screen televisions.

Wales has secured the investment after 10 months of tough negotiations in which it fended off challenges from other countries and other British regions. The announcement was delayed by debates within LG – the former Lucky Goldstar – about proposed locations. These included a last-minute effort by LG Semiconductor to build its plant in Scotland, which was overruled by the LG group head office on the grounds that a single location was more cost effective.

The competing development authorities offered generous grants. The Welsh Office and the Welsh Development Agency's proposed offer is understood to be worth up to £200m, including funds for training and site preparation. This is the equivalent of about £30,000 a job – considerably more than given to many other inward investors. Even for large schemes, few companies secure more than £20,000 a job. Welsh officials are expected to argue they did not breach Treasury aid guidelines. However, they may be challenged by development agency officials from other regions.

The LG group, Korea's third-largest industrial conglomerate, is a leading producer of consumer electronics and semicondctors. It already manufactures colour televisions and microwave ovens in Newcastle.

Ministers praise success in attracting investment

By Michael Cassell, Business Correspondent

The tide of investment into Britain has reached record levels for the third year in succession, boosted by a rise in the number of investors moving in from other EU countries.

With 58 new German investment projects announced in the year to April 1996, the British government claims that the UK has moved clearly ahead of the US as the largest recipient of German direct investment worldwide. According to ministers, the UK has become the most favoured overseas location for the US, Japan and Germany.

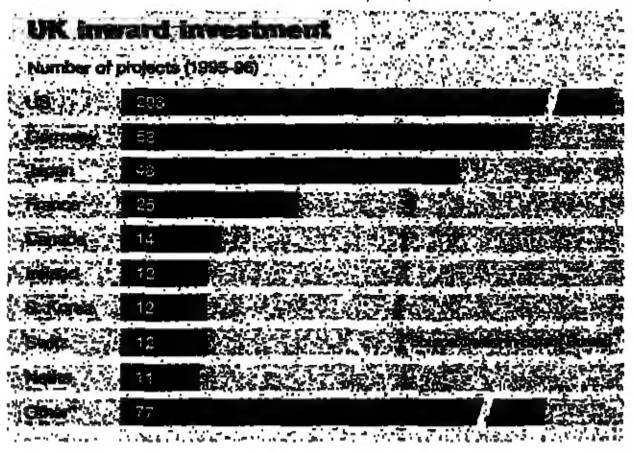
Last year, total German direct investment overseas more than doubled. More than 1,500 German companies now have a UK operation, around a fifth of them in manufacturing.

Announcing 477 new projects in the year to April 1996 – more than 50 per cent up on three years earlier – Mr Ian Lang, the UK trade and industry secretary, claimed that low taxes, labour flexibility and a free enterprise environment had companies "flocking to Britain".

He claimed that policies of the UK's Labour party would raise wage and social costs and destroy the competitive edge which was attracting investors into Britain. He accused Labour of threatening to "seriously undermine" the confidence of investors by imposing upon them the additional cost burdens which they were attempting to escape.

Figures from the Invest in Britain Bureau, which co-ordinates the UK's investment drive, show more than 48,000 jobs were created in 1995-96 through new investment into the country. Since 1993, the bureau adds, more than 1,300 inward projects have been announced, creating 114,000 jobs and safeguarding more than 285,000 others.

The IBB calculates that last year about 46 per cent of all inward investment into the UK was from the US, with 35 per cent emanating from Europe and about 17 per cent from Asia-Pacific countries. Nearly 60 per cent of new investment recorded last year involved additional expenditure by overseas companies already established in the UK.



The UK took 38 per cent of all inward investment into the EU and accounted for 40 per cent of all Japanese investment made within the single market. Mr Lang said the UK had been particularly successful in attracting investment in several critical sectors, including the automotive industry, electronics, pharmaceuticals, telecommunications and financial services. The UK's stock of inward investment stands at more than £150bn ($232bn), up from £44bn in 1985. The government says in the past decade more than £100bn of international investment has gone into the UK economy.

European access lures Korean business

Companies want EU-based operations to avoid high wage costs and trade barriers

The decision by LG Group, the industrial combine, to build a £1.5bn ($2.34n) electronics complex in Wales will double South Korean industrial investments in the UK to more than $4bn.

It will also confirm that the UK is the favoured investment destination in the EU among Korean companies.

The UK's popularity has gained momentum since 1994 when Samsung Electronics, the electronics affiliate of the Samsung chaebol, or industrial grouping, decided to build a £450m consumer electronics plant at Wynward Park, in north-east England. The electronics plant opened last year.

"The Samsung decision was the turning point that encouraged other Korean companies to invest in the UK," said a UK official in Seoul.

At least 13 other investment projects in the UK have been announced by Korean companies since March last year, including component suppliers to Samsung. There are more than 100 Korean companies – financial and trading companies as well as manufacturers – and some 15,000 Korean residents.

Although Korean companies have preferred England or Northern Ireland, the last year has seen a Korean expansion into Wales and Scotland for the first time. The Halla group, a smaller chaebol, plans to build lift trucks and other heavy equipment in Wales, while Shinho Tech, an electronics maker, recently announced a computer monitor factory in Scotland.

More Korean UK investments appear to be on the way. Daewoo is considering a joint venture semiconductor plant with Texas Instruments in Northern Ireland, where Daewoo already manufactures consumer electronics.

The sudden move by Korean companies into the UK reflects their need to escape increasingly high wage costs in South Korea. Its companies also want to establish a manufacturing base in the EU to avoid possible trade barriers. Mr Daniel O'Brien, managing director of Samsung Electronics' UK manufacturing operations, says: "The most important attraction is access to the European marketplace."

Government grants play a big – often decisive – role in domestic competition among British regions.

The £200m aid for LG is the equivalent of nearly £30,000 a job. This would seem to set a new record for a large project outside Northern Ireland. Siemens, the German electronics group, received under £20,000 for the semiconductor plant it is building in the north-east of England.

Government officials say the grants to LG, covering funds for training and site preparation as well as direct grants, do not breach UK Treasury guidelines. They also deny that LG encouraged any kind of auction between competing regions. But since details of the negotiations are confidential, the scale of the award is bound to attract attention, not least from those UK regions which lost out to Wales.

John Burton
Stefan Wagstyl

Public borrowing forecast increased

By Robert Chote, Economics Editor

Weak British tax revenues and unexpectedly big bills for debt interest and social security payments have blown a hole in the UK government's finances, forcing Mr Kenneth Clarke, the chancellor of the exchequer, to raise his forecast for public borrowing next year by £8bn ($12.4bn).

Mr Clarke insisted yesterday that he would cut taxes "every time there's a chance of doing so". But the outlook for government borrowing depicted in his summer forecast will severely limit his room for manoeuvre in November's pre-election Budget. Some Treasury officials are telling him to raise taxes, not cut them.

Defending his predictions, Mr Clarke also launched a surprise attack on the Bank of England, the central bank, arguing that throughout his time as chancellor its forecasts for inflation had "always been wrong and always been too pessimistic". There was renewed speculation that Mr Clarke might soon push UK interest rates down again.

The chancellor now believes that his government will need to borrow £23.1bn in 1997-98 to meet the shortfall between its revenue and spending. This is £7.8bn more than he predicted in last November's Budget, an upward revision of more than 50 per cent.

The forecast for this year's public sector borrowing requirement has been raised from £22.4bn to £26.9bn, in line with the forecasts of independent economists. The government continues to break the so-called "golden rule" under which it should only borrow to pay for investment.

The Treasury in effect conceded the government might not be on course to achieve the budget deficit of 3 per cent or less of gross domestic product in 1997, the target for participation in a single European currency by the Maastricht treaty. Mr Clarke said it was "quite a close call".

Mr Gordon Brown, the Labour party's shadow chancellor, accused the government of "failing to tackle tax abuse and avoidance and failing to get unemployment down and so cut the bills of economic failure".

Editorial comment, Page 11
Lex, Page 18

UK NEWS DIGEST

Union leaders to support Emu

Union leaders want the UK to join any future European economic and monetary union from the beginning, according to a new policy statement to be presented for endorsement to Britain's Trades Union Congress annual conference this autumn. "If Emu goes ahead with the required number of countries, the TUC general council believes the balance of advantage is in Britain joining," they say.

Mr John Monks, the TUC's general secretary, and senior colleagues are already holding private discussions with the Bank of England and the Confederation of British Industry to try to achieve a "national consensus" on the terms for membership. Mr Monks and his supporters are confident they will win backing even though they go much further than the Labour party in their support for Emu. *Robert Taylor, London*

■ ADVERTISING

Complaints upheld against Shell

Britain's Advertising Standards Authority has upheld three of seven complaints it received about advertisements taken out by Shell, the Anglo-Dutch oil group, in the wake of the execution last year of Ken Saro-Wiwa, the Nigerian human rights campaigner. The authority found that Shell had used selective quotes taken from a BBC TV interview in a misleading way. It had also failed to back up a claim that 60 per cent of oil spills in the Ogoniland region where Mr Saro-Wiwa lived were caused by sabotage. Shell should have rephrased a claim suggesting contractors sent to clean up the polluted sites were denied access by the Ogonis. *Robert Corzine, London*

■ SERIOUS FRAUD

Investigator's caseload up 50%

The caseload of the UK's Serious Fraud Office rose by about 50 per cent last year following the British government's decision to expand its responsibilities and a marked increase in alleged frauds upon investors. According to the SFO's annual report, it is now investigating or prosecuting 77 cases compared with 50 in April 1995.

Much of the increased caseload has been caused by the government's decision to let the SFO take over some fraud investigations previously carried out by the police and the Crown Prosecution Service. *John Mason, London*

■ APPLIANCE MARKET

Candy plans £20m expansion

Hoover European Appliance, the UK domestic appliance group bought last year by Candy of Italy, is planning to invest about £20m ($31.1m) by the end of next year on its two UK plants in a scheme sparked partly by Britain's relatively loose labour regulations. The cash marks a big step in bolstering the UK operations of Candy, a privately-owned group which is Europe's fourth biggest white-goods manufacturer.

Mr Peppino Fumagalli, Candy's president, said an important reason for the investment was the relative absence of "rules and regulations" governing the workplace, making UK workers highly adaptable and relatively easy to dismiss without large redundancy costs. *Peter Marsh, London*

■ BBC WORLD SERVICE

MPs protest at reorganisation

About 140 MPs have signed a cross-party House of Commons motion criticising a proposed reorganisation of the BBC World Service.

The motion calls on Sir Christopher Bland, the BBC chairman, and the Board of Governors to guarantee the distinctive nature of service programming. *Raymond Snoddy, London*

■ COMMERCIAL VEHICLES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]				
Total	[illegible]	[illegible]	[illegible]	[illegible]
Imports	[illegible]	[illegible]	[illegible]	[illegible]
Iveco group (Fiat)*	[illegible]	[illegible]	[illegible]	[illegible]
Leyland DAF (DAF Trucks)	[illegible]	[illegible]	[illegible]	[illegible]
Mercedes-Benz	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which Heavy Trucks (over 15 tonnes)				
Total	[illegible]	[illegible]	[illegible]	[illegible]
Volvo	[illegible]	[illegible]	[illegible]	[illegible]
Leyland DAF (DAF Trucks)	2,512	[illegible]	[illegible]	[illegible]
Scania (Investor)	2,108	[illegible]	[illegible]	[illegible]
Iveco group (Fiat)*	[illegible]	[illegible]	[illegible]	[illegible]
Mercedes-Benz (Daimler-Benz)	1,646	[illegible]	[illegible]	[illegible]
ERF	1,027	[illegible]	[illegible]	[illegible]
MAN	[illegible]	[illegible]	[illegible]	[illegible]
Renault	[illegible]	[illegible]	[illegible]	[illegible]

(names in brackets indicate ownership) *Includes Iveco Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders [illegible]

Imports seize more of market

The UK's commercial vehicle industry is coming under increasing pressure from imports, vehicle registration figures for June show. Imports accounted for 47.2 per cent of total registrations in June compared with 42.7 per cent in the same month a year ago. Their share in the year's first half reached 49.1 per cent, compared with 44.4 per cent a year ago.

Growth in the UK's commercial vehicle market came to a virtual halt in the first half, leaving manufacturers in the heavy truck sector, in particular, increasingly worried about their prospects for 1996. *John Griffiths, London*

Three arrested after threats to contaminate food

By Clay Harris in London

A British man has been arrested in Vienna after attempts to extort £250,000 from five UK food companies by threatening to contaminate a wide range of their products with micro-biological organisms, police said.

The 37-year-old man, said by police to run a computer consultancy in Nottinghamshire, central England, was arrested on Monday as an attempt was made to draw money from a bank account. The man's wife and a male relative were arrested in Nottinghamshire. No charges have been filed, police said yesterday.

The arrest followed a month-long operation during which police placed a series of classified advertisements in a British newspaper to communicate with an individual who had sent letters to the companies, which were not identified.

Police said there had been no threat to public health and none of the companies had paid any ransom.

Each of the companies contacted police after receiving the first letters, which demanded payment of £50,000 into a numbered foreign bank account and threatened contamination of named products if it was not paid.

Later letters were accompanied by product samples contaminated with a "harmless food dye", police said, an effort to demonstrate that the correspondent could discreetly penetrate the packaging. They also received test tubes containing cultures of one of the threatened organisms – *Yersinia enterocolotica*, capable of causing stomach upsets and diarrhoea. Police said tests showed the sample was "professionally cultured and prepared in a way consistent with scientific knowledge". Health experts said consumption of food contaminated with the organism would have had no harmful effect.

London Stock Exchange reforms attract criticism

By John Gapper, Banking Editor

The London Stock Exchange's proposed reforms of share trading in the City have been criticised for giving unfair advantages to the big investment banks that currently act as marketmakers.

Instinet, the agency broker owned by Reuters, has attacked a proposal to allocate privileges to banks that will perform a similar role to marketmakers in a reformed share market as "misconceived", and said it may damage overall market liquidity.

Mr Doug Atkin, managing director of Instinet UK, said that it was correct to reform the system of share trading, but "if the proposals are implemented in this form, none of the objectives behind them may be met".

Instinet is a rival to large marketmakers that provide liquidity by guaranteeing constantly to quote prices at which they will buy and sell shares. It has said the exchange should not allow a blanket exemption from tax on share transactions for the "registered principal traders" that will take the place of marketmakers in the proposed new system.

It suggests that any firm or individual who puts capital at risk by buying a block of shares from an investor and then "unwinding" it by selling it to others should be exempted from stamp duty on that transaction.

New market's success worries the experts

High price of companies on Aim and their rate of admission is causing concern

Celebrations for the Alternative Investment Market's first birthday are barely over, but already several market professionals are expressing strong reservations about developments within it.

Concerns include the rate of admissions to the new market, the rising prices for new issues, the time given to fund managers for investment consideration and the diligence of nominated advisers and brokers.

In the past month 35 companies have been admitted or announced their intention to join Aim, which caters for young and growing companies. This is more than double the monthly average during its first year of trading.

The rush to join Aim is rooted in several factors, not least the undoubted success of the junior market in establishing itself as a viable staging post between venture capitalists and the main list.

This in turn has drawn in a growing number of institutional investors.

Aim has no trading qualifications for membership, with investment in many of the start-up stocks deemed to be very high risk. Yet prospective price-to-earnings ratios for a number of recent new issues are on a par with companies on the main market.

However, there are signs that while new issue investors are willing to pay such prices, those in the after-market are not so keen. Of the 14 issues that came to Aim in June, nine are trading close to or below their placing price.

Strong institutional demand, a rush of companies and rising prices are reminiscent of the new issues market towards the end of 1994, when a small number of flotations went spectacularly wrong.

Could this happen on Aim? One respected nominated adviser says some of the companies deemed unsuitable by his institution have later turned up on Aim under less demanding advisers.

Another nominated adviser says the pressure to reduce fees, and consequently the amount of scrutiny and due diligence on a prospective member, is a constant concern.

"There is always someone willing to do it cheaper," he says. The price of joining Aim can range from about £40,000 ($62,000) to the £1m paid by Fibrenet recently, depending on how much money, if any, is being raised.

Another worry being voiced is the amount of time being given to fund managers for investment decisions.

Mr Andrew Buchanan, a fund manager at Rutherford Asset Management, says the normal two-week consideration period for investment in a new issue is now as little as two days. "It's very difficult to make a prudent judgment in a risky market in that time."

The roles of the nominated adviser and broker have also come in for attention as the number of admissions has ballooned. The adviser, who must be approved by the stock exchange, acts as chief scrutineer of a company and its accounts, a job which does not end after admission.

The resources which must be put into this policing role are not inconsiderable. This is one reason for the decision by stockbroker Teather & Greenwood, among others, not to act as adviser to any more new issues on Aim for the summer.

Mr Ken Ford, head of corporate finance at Teather & Greenwood, says there is a growing feeling of indigestion among fund managers. "I'm surprised that so many other brokers are piling in at the moment."

Christopher Price

Television/Clement Crisp

Lathered up over soap opera

I have, after a long and happy absence, returned to soap operas, and the experience is not recommended. It is rather like being trapped at an airport during what is called, in denial of truth, "industrial action". There are the same desperate people facing yet another set-back in life, teenagers looking sullen, tempers being lost, all located in a setting of unrelieved nastiness. Is it more like *EastEnders* or *Brookside*? With the addition of a sheep or two it might be *Emmerdale* (known *chez nous* as *Emmerdant*) *Farm*, and given the occasional tortured vowel, it is uncannily like *Neighbours*. ("Mum, can we go haouume?").

What began as escapist drama on American radio in the 1930s to promote sales of soap has been turned by television into drama made of soap. The home-grown narratives that currently infest our screens are a miserable lot, their place in the weekly ratings more a tribute to addiction than merit. How glum they are, and how determinedly workaday. Real life is bad enough. This is Real Life in Spades, perhaps on the rationale that we may say "There but the for Grace of God..."

I turned to that invaluable guide, *Inside Soap*, for insights into what holds the fans' attention. The top six soap-operas are, unsurprisingly, *Coronation Street* (which is beyond criticism: one might as well reproach Holy Writ for the behaviour of the prophets), *EastEnders*, *Emmerdale*, *The Bill*, *Neighbours* and *Home and Away*. (These last two are Australian and seem largely populated by lust-crazed and intellectually challenged teenagers: can *la vie* Down Under really be so?). *Inside Soaps* offers a convenient precis of plots which give the authentic whiff of the genre: "Jen is disappointed not to win the Stairwells of Time competition". "Meanwhile, Dave's getting drunk and morose again". "Frank is ready to go after Brent, when Bridget reveals she thinks he raped Lucy". "Flakey the Clown now hates children".

These are rich seams of tosh, but what I have lately watched in the cause of grimmest duty was also fearfully grey. The attraction of soap opera is of a factitious tension, each episode ending on the horns of some unsuspected and unsuspecting dilemma, with characters larger (or at least more lurid) than life. Psychotic behaviour is the norm; insane jealousies, secrecy, an inability to explain any action are the *sine qua non*. (Just like a political party conference.) The madder, the richer, the more preposterous the better, is surely the rule for *haute école* soap, with action placed in interiors where vast expense is outdone by even vaster lack of taste. The settings in *Neighbours* come from the Build Your Own Hovel Book; the characters, apart from their rampant hormones, have no other existence.

So a welcome – in as much as another soap-opera can be said to be welcome: it is rather like rejoicing at finding a wasp's nest in the attic – for *Savannah*. This is an American soap in the *Dynasty* tradition: it comes from the same producer, Aaron Spelling. Whatever else it may lack, and that list would be like naming the world's fish, it has gloss. Its first three episodes were richly bedecked with chicanery, lust, double-dealing, bastards (both actual and metaphorical), a virgin bride, a river-boat wagered lost at cards, a wedding threatened with annulment within 24 hours, murder, copulation in a shower, theft of funds, the loss of a corpse, horse-coping, obscene videos, and dialogue of the "she's beautiful, rich, and marrying the handsomest straight guy in Savannah" type. Interiors were triumphs of non-taste, and female characters have such fetching names as Lane, Peyton and Reese. (These may be gender-coded for American viewers, but I would not care to hazard whether the baby at the font was male or female when the name was given.)

A rich seam of tosh: in 'Savannah' lust, double-dealing, murder and chicanery provide the supreme escapist drama you wish supremely to escape from

It is supreme escapist drama: it is, after a time, the sort of drama you wish supremely to escape from. But it has a life-force, a neurotic drive towards keeping us on our anticipatory toes, that commands respect. Personalities are in constant shift as well as constant shiftiness: you should not suppose that Peyton is as vile as she seems, nor that anyone can be as dull as Reese (who has "saved herself" for the marriage bed). To old *Dynasty/Dallas* hands, this is proof of true soapishness: all is illusion, from behaviour to plot-line. Dramatic skill on the part of the players is less necessary than the ability to smoulder, strip well (lying in bed for a chap is merely another excuse to display the pectorals) and utter dialogue without breaking into peals of merry laughter. With *Savannah*, soap opera is its own ludicrous but highly-polished self. And it beats Wimbledon – just – for rampant temperament and erotic grunting.

And as a note in passing, may I commend *Cybill*, Channel Four's Friday night *bonne-bouche*, to anyone who does not yet know it. The titular Cybill Shepherd, and her side-kick Christine Baransky, are adorable drolls, and the script is literate.

Theatre

Wandering lonely as a cloud

A pure performance can lift our hearts, inspire our imagination. Kelly Hunter as Dorothy Wordsworth has such clarity of vision, is so attuned to the vibrant simplicity of *Dorothy's journals*, that you feel spiritually refreshed.

Written by Hunter, *Exquisite Sister* is a fine tribute to a noble woman, and a natural writer. Dorothy Wordsworth is more than a footnote in English literature. She has her own sensibility, untainted by poetic sophistication, rejoicing in "nature striving to make perfect what Art had deformed". She devoted her life to her brother. When he eventually found fame as a poet, she succumbed to senility. Hunter, with her nervous energy, captures that taut, brittle intensity of tragic self-sacrifice.

The youthful 1798 Alfoxden journals articulate a joyful life in Somerset's Quantocks. Bliss was it at dawn to be alive, scrambling up coombes, through the woods, delighting in the crowds of sunbeams, adoring the majesty of "moonshine like herrings in the water". Hunter's Dorothy darts like a fish, gasping for air, breathless with excitement.

There is the frequent tingle: "Met Coleridge" – though it seems more innocent than the erotic charge of, say, Byron, Shelley, and Mary's Romanticism (Dorothy would feel at ease in an Austen novel or on a Constable canvas). She and her brother moved back to Cumberland – with a zest for living, recorded in the Grasmere journals (from 1799 onwards). However, she is soon troubled by headaches and toothache, early intimations of dementia. William marries her childhood friend, Mary Hutchinson, and Dorothy records with uncharacteristic, pained detachment, "I will consider myself as boarding through my whole life with an indifferent person".

Dorothy now has less appetite for the immediacy of experience, and recollects past happiness, or laments its loss. "Stupefaction" numbs her thoughts. She mourns her brother John, who went down with his ship. Mature reflection completes a sensitively dramatised evening of private eloquence shaped for the public stage.

Simon Usher directs vivaciously. Anthony Lamble has invented a playroom for Dorothy's imagination: miniature hills dotted with tiny sheep, light-houses, flower-beds, stage-coaches. Paul Russell's lighting is magnificently golden on summer eves, cool and crisp on winter morns. The production can be overbearing, especially as it is punctuated with synthetic music. It will no doubt trust totally in the words and performance by the time it plays Edinburgh in August.

Simon Reade

Exquisite Sister is at the Courtyard Theatre, West Yorkshire Playhouse until July 20 (0113 2442111).

Bringing out the devil in Randy

Compilation musicals normally stick to "legends" (ie dead guys) from the mainstream: Louis Jordan, Elvis, even Billy Fury. It is a real curiosity to see a show based on the work of such a sardonic, acerbic songwriter as Randy Newman, still more one which features the clean-cut Belinda Lang. Whatever next, one wonders: Zoe Wanamaker sings London Wainwright III? Felicity Kendal as Dusty Springfield in *The Pet Shop Boys Story*? (Better not give Bill Kenwright any ideas...)

In some respects, Newman's songs work rather better in a stage context than on record. Putting his usually twisted sentiments into the mouths of obvious characters gets rid of the problem which has dogged him throughout his career: that of people missing the irony and believing that he means what he sings.

Here, then, in *Roll With the Punches: The Songs of Randy Newman*, "Sail Away" – a song depicting America as the land of opportunity for slaves – is sung by Paul J. Medford with discreet incredulity as a venomous rebuttal of the earlier "Follow the Flag"; and "Short People" is a plainly ludicrous attempt to fasten on a convenient hate group. (The show's printed set-list even includes the scabrous "Rednecks" but the team evidently felt that this was rather *too* much to get away with.)

Whilst the songs take up 99 per cent of the narrative burden (seldom if ever are more than three lines spoken between numbers), the story itself is thin and sometimes contrived. As the boy-meets-girl, boy-loses-girl curve progresses, for instance, an identical twin to the godly Marie is introduced solely to facilitate a clutch of cynical female-voice numbers. On the other hand, it is a delicious move to deck Medford out in twinkling red horns and tail to deliver infernal ripostes to Marie's songs of devotion.

Medford's performance is the greatest success of the 85-minute show; he has a wonderful voice and elevates bar-owner Mikey from a mere observer into a character in his own right. George Costigan, as Randy, is less certain, veering from more or less straight agony to buffoonery; his upper register has the hoarse sincerity of a Jimmy Nail, with the weaknesses as well as the strengths of such a voice.

Belinda Lang seems oddly under-energised throughout, whether as Marie or her twin, betraying a possible lack of direction from Chris Bond.

Costigan and Lang performed their first Newman assemblage nine years ago at Stratford East: it died the death. They obviously believe in his song-writing talents, and rightly so, but something, somewhere, is missing from *Roll with the Punches*. I would hate to think that the bill of fare is too rich for musical theatre, but the whole remains maddeningly less than the sum of its parts. Still, even such a "nearly" show proves that Randy Newman has much, much more to offer than (the thankfully excluded) "Simon Smith and his Amazing Dancing Bear".

Ian Shuttleworth

At the Tricycle Theatre, London NW6, until August 10 (0171-328-1000).

Alastair Muir

Roberto Alagna and Angela Gheorghiu as the young lovers

Opera/David Murray

A 'Traviata' to die for

For the current instalment of its Verdi festival, the Royal Opera has revived Richard Eyre's handsome staging of *La traviata*, complete with Angela Gheorghiu's Violetta again.

As if that were not enough (which it could almost have been), she was joined this time by her young husband Roberto Alagna as Alfredo; and as if *that* were not enough, we had Thomas Allen making his debut as father Germont.

The plight of the homeless who frequent Covent Garden seemed nothing compared to the really desperate plight of the opera-lovers who had failed to get tickets. It is a long time since one saw so many frantic people offering practically anything for returns. And was this *Traviata* worth it? Well, yes; but it will be better later, when its excellent parts have begun to gel properly.

Simone Young conducted the speediest *Traviata* I can remember, in rhythms that acquired subtlety and spring only when she occasionally relented. The overall result was a touch prosaic, with uneasy rapport between stage and pit. Gheorghiu was undeterred: the extraordinary finesse of her singing, its marvellous range of delicate tints and her beautiful, fragile stage presence were proof against anything.

So far, however, the voice has not acquired the weight and depth to wring our hearts in the last act, and make us forget that we are watching an immensely clever, cultivated performance. (I admit that I was marked for life by the Callas Violetta, and of course any comparison would be grossly unfair.)

Alagna's Alfredo is quite different. He was in fine, forthright voice, usually at *forte*; there was little in the way of varied colours or shading, but he triumphed over the hazards of his Act 2 music – elegant and sweet-toned in every phrase, however difficult. He even acted a bit, quite creditably, though never suggesting anything so uncouth as raw despair or heartbroken fury.

For dramatic penetration, it was Allen's Germont who offered most. Certainly his once-dominating baritone has lost its fullness, but who would complain, when he projected so much concerned feeling and wary dignity, and with such noble musicianship? Germont *père* the firm centre of the opera, and he did that superbly.

A special word for Leah-Marian Jones as Flora, too, who made a striking cameo of her rather ungrateful role; indeed, all the negligible roles were admirably taken. A good and rewarding evening, if not a great one; one *did* feel sorry for those who failed to get in.

Further performances to July 19, some with other principals.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-5518117
● Het Nationale Ballet: perform *Balanchine's The Four Temperaments* to music by Hindemith, The Prodigal Son to music by Prokofiev and Symphony in C to music by Bizet. Part of the Balanchine Summer Festival; 8.15pm; Jul 11
EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● August Sander: the work of German photographer August Sander (1876-1964), including photographs for his life-work, Menschen des 20 Jahrhunderts (People of the 20th Century); from Jul 13 to Sep 1

■ BERLIN

EXHIBITION
Kupferstichkabinett
Tel: 49-30-26629598
● Im Konext der Sammlung: recent additions to the museum's collection, including works by Picasso, Lechner, Flavin, Oppenheim and Boltanski; to Sep 29

■ CARDIFF

CONCERT
St Davids Hall
Tel: 44-1222-878444
● Royal Philharmonic Orchestra: with pianist Peter Donohoe perform *Dvořák's Carnival Overture*, Tchaikovsky's Piano Concerto No.1 and Sibelius' Symphony No.2. Opening concert of the tenth edition of the Welsh Proms; 7.30pm; Jul 11

■ CHICAGO

EXHIBITION
Art Institute of Chicago
Tel: 1-312-4433600
● Illustrations by James Ransome and John Steptoe: Works by the African-American artists; to Sep 2

■ DUBLIN

CONCERT
National Concert Hall - Geolíras Náisiúnta Tel: 353-1-6711888
● *Fergus O'Carroll, Alan Smale and* Hugh Tinney: the hornist, violinist and pianist in works by Paganini and Brahms; 1.05pm; Jul 12

■ HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe
Tel: 49-40-24862732
● Alfred Steffen - Portraits: exhibition of portrait photographs by Alfred Steffen. *Many national and* international celebrities, including actors, musicians, directors, authors and politicians, have posed for the Hamburg-based photographer in the past ten years; to Jul 14

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Kent Nagano perform works by MacMillan and Mahler; 7.30pm; Jul 11
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● La Traviata: by Verdi. Conducted by *Simone Young and performed by* the Royal Opera. Soloists include Angela Gheorghiu, Beth Michael, Roberto Alagna and Robin Leggate. Part of the Verdi Festival '96; 7pm; Jul 11
THEATRE
Barbican Theatre
Tel: 44-171-6384141
● Julius Caesar: by Shakespeare. Directed by Peter Hall and performed by the Royal *Shakespeare Company. The cast* includes Christopher Benjamin; 7.15pm; Jul 10, 11 (also 2pm)
The Pit Tel: 44-171-6388891
● *The Painter of Dishonour*: by Calderón, in a new version by Boswell and Johnston. Directed by Laurence Boswell and performed by *the Royal Shakespeare Company*; 7.15pm; Jul 10, 11 (also 2pm)

■ LOS ANGELES

CONCERT
Hollywood Bowl
Tel: 1-213-850-2000
● Requiem: by Verdi. *Performed by* the Los Angeles Philharmonic with conductor John Fiore and the Los Angeles Master Chorale. Soloists include soprano Kallen Esperian, mezzo-soprano Florence Quivar, tenor Michael Sylvester and bass *James Morris*; 8.30pm; Jul 11

■ MUNICH

DANCE
Nationaltheater
Tel: 49-89-21851920
● The Sleeping Beauty: a *choreography by Peter Wright after* Petipa to music by Tchaikovsky, performed by the Bayerischen Staatsballett München; 7.30pm; Jul 12
EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Umbo - Vom Bauhaus zum Bildjournalismus: retrospective exhibition devoted to the work of photographer Otto Umbehr, also known as Umbo; to Jul 28

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Claude Frank: the pianist performs Mozart's Fantasy in C *minor*, K475, and Sonata in C major, K330. Part of the Mostly Mozart Festival; 8pm; Jul 11
EXHIBITION
Guggenheim Museum SoHo
Tel: 1-212-423-3840
● Mediascape: the museum reopens with an exhibition devoted *to multimedia and interactive art*. Artists include Marie-Jo Lafontaine, Bruce Nauman, Nam June Paik and Bill Viola; to Sep 15
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts; to Sep 22

■ PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● James Coleman: this *exhibition* shows installations of this Irish artist, and is a part of the cycle, "L'Imaginaire irlandais" that takes place in Paris from May to September; to Nov 18

■ STOCKHOLM

EXHIBITION
Nationalmuseum Tel: 46-8-6664250
● Romanticism and Realism: exhibition of Swedish art from the first half of the 19th century, as part of the Swedish Festival which this year centres around the singer Jenny Lind (1820-1887); to Sep 8

■ SYDNEY

EXHIBITION
The Powerhouse Museum
Tel: 61-2-2170111
● Treasures from the Kremlin: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian jeweller Peter Carl Fabergé *are among exhibits come from the* collection of the Armoury Museum Faberge at The Kremlin; to Sep 20
OPERA
Drama Theatre, Opera Theatre, Playhouse
Tel: 61-2-250-7127
● Il Travatore: by Verdi. Conducted by Richard Gill and performed by the Australian Opera. Soloists include Elizabeth Campbell, Edmund Barnham and Michael Lewis; 7.30pm; Jul 11

■ THE HAGUE

JAZZ & BLUES
Nederlands Congresgebouw
Tel: 31-70-3502034
● *North Sea Jazz Festival*: highlights of the festival programme include performances by Chick Corea & Friends, Dianne Reeves, George Benson and Santana; Jul 12

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Scenes of Daily Life: Genre Prints from the Housebook Master to Rembrandt van Rijn: 38 prints, six illustrated books and one copper plate depicting scenes of everyday life in Germany and the Netherlands from the late 15th to the late 17th century. These images were the predecessors of the genre prints so popular in the Netherlands in the 17th century. The selection includes illustrated books and prints in *various techniques*. Artists include Israel van Meckenem, the Master of the Housebook, Lucas van Leyden, Albrecht Dürer, Hendrick Goltzius, *Rembrandt van Rijn and Adriaan van* Ostade; to Aug 18

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. *Tel: 31 20 664 6441*

WORLD SERVICE

BBC for Europe can be *received in western Europe* on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

On the middle path

Both the west and the radical Middle East should listen to the reasonable voice of Islam coming from south-east Asia

I first met Anwar Ibrahim in 1980 on a campus in New Hampshire. It was soon after the Islamic revolution in Iran, and an enterprising American professor had decided to bring together some representatives of radical Islamic thought for a discussion with western scholars.

The Moslem leaders present included some pretty uncompromising figures, such as Hassan Turabi, who has since become the guiding ideologue of the gruesome military dictatorship in Sudan, and Khurshid Ahmad, whose theories of Islamic economics General Zia ul-Haq attempted to put into practice in Pakistan. On paper Mr Anwar, founder-president of the Islamic Youth Movement of Malaysia, seemed to belong in the same category.

But as soon as he opened his mouth he was clearly quite different. Not that he was less sincere. If anything he conveyed a stronger sense of personal commitment and honesty than the older and angrier leaders present. But his commitment did not seem to carry with it any compulsion to adopt a confrontational stance, or to resort to finger-wagging (let alone worse) against the west.

I suppose by then his transformation from student radical to suave and charming pillar of the establishment (today he is finance minister, deputy and heir-apparent to Mahathir Mohamad, the prime minister) was already well advanced. But I doubt if his radicalism can ever have taken the bitter, sectarian form we have come to associate with Islamic militancy in the Middle East. I was particularly struck by the fact that he referred to one of the western scholars present, a specialist in south-east Asian Islam, as "my guru". Neither the thought nor the terminology could possibly be reconciled with Islamic fundamentalism.

Not surprisingly, some of his old followers believe he has sold out. The Internal Security Act, under which he was detained without trial in the 1970s, is still on the statute book. Corruption, in the words of Dr Mahathir, "is still very much in evidence", even if "not to the extent made out by foreign critics". To a certain extent Mr Anwar has it both ways. So long as he is only number two in the regime he can discreetly encourage hopes of change without having to fulfil them.

But he continues to get the benefit of the doubt. Whatever Dr Mahathir's faults or idiosyncracies, Malaysia under his rule has been an amazing economic success story, for which his finance minister is entitled to take some of the credit. Its growth rate rivals that of any of the east Asian "tigers". But it has avoided the worst excesses of congestion and pollution that characterise some of the others.

The government espouses "Asian values" of personal decorum, family duty and national consensus, and carefully scrutinises imported newspapers before distribution, but has not imposed the stifling atmosphere of conformity that prevails in neighbouring Singapore. Opposition parties have been able to win elections in some provinces, and within the ruling United Malays' National Organisation there is vigorous competition between different factions. The policy of favouring indigenous ("bumiputra") entrepreneurs is increasingly criticised as a pretext for cronyism and state intervention, but it has helped defuse the tension between Chinese and ethnic Malays which flared into ugly violence in 1969.

All this helps explain the rapt attention with which members of the UK establishment listened to Mr Anwar when he spoke in London last week.

In part Mr Anwar makes his impact on western audiences simply by not being Dr Mahathir. He does not berate the west for abandoning the work ethic, legitimising homosexual marriages and single parent families, or making "gratification of the senses . . . the main purpose of life", as Dr Mahathir did in a speech in Oxford earlier this year. He does criticise "blind faith in market-driven solutions", insisting that "any policy or prescription must take into account its human implications", but this clearly strikes a chord with many western listeners.

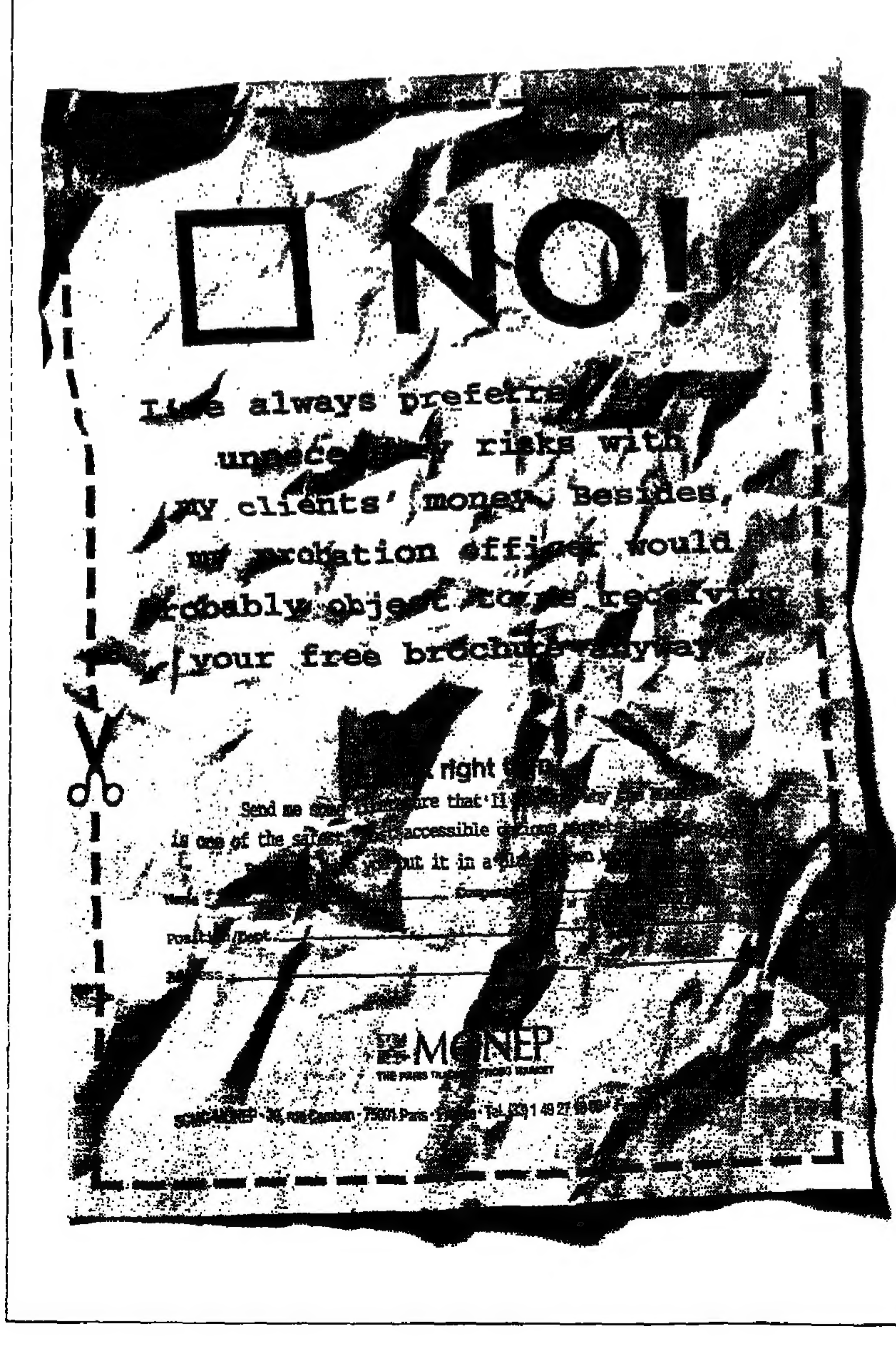
Mr Anwar quoted Adam Smith to the effect that too much admiration of the rich and powerful is "the great and most universal cause of corruption of our moral sentiments". This view apparently is not shared by some of his government colleagues, who cite local billionaires as "role models" for the Malay population. More important, he warned that "the success of the east Asian economies has evoked too much uncritical admiration", and vigorously repudiated the view that "the notion of freedom, individual liberty and human rights is alien to the Asian psyche".

But he also commands attention as a spokesman for Islam who is not afraid to equate Islamic concepts with those of other traditions. He speaks of "the middle path – the Islamic *awsatuha*, the *chun yung* of Confucius or the 'golden mean' of Aristotle", and asserts that in east Asia "there is a renewed quest for the meaning of traditional values and religious precepts, be it Islam, Confucianism or Buddhism".

It is very important for the west to hear such a Moslem voice at this moment in history, when siren voices are urging us to believe in an impending "clash of civilisations", with Islam and the west inevitably ranged on opposite sides. And it is surely important for Moslems to hear it too, in the Middle East and elsewhere.

It might remind them that Islam was strongest, both as power and as civilisation, in the Abbasid period (corresponding to western Europe's "dark ages") when Moslem scholars eagerly read and translated Greek philosophers and scientists and studied Indian society. In our own day the Moslem Middle East, for all its oil wealth, has not achieved anything like the economic success of Moslem societies in south-east Asia. Could that be, in part, because south-east Asian Moslems have had the self-confidence to remain open to non-Moslem ideas, while Middle Eastern Moslems increasingly fall back on a closed and defensive interpretation of their faith?

Two faces of Islam: Hassan Turabi (left) and Anwar Ibrahim



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Airline pilots need much more than flying skills

From Mr Tristram C. Llewellyn Jones.

Sir, I am an airline pilot presently operating Boeing 767 long haul airliners for a national airline. Lex (July 8) makes several false assumptions concerning the role of the airline pilot which, to assist the judgment of your readers, need to be corrected.

While the skill required to fly an airliner broadly remains the same as a few decades ago it is a small part of the job of operating a very complicated transportation system. The difference these days is the high level of mental agility required in a two-pilot computerised environment. My colleague and I recently had to handle a diversion from Chicago to Detroit after a ten-hour flight across the Atlantic. This involved critical decisions on fuel and weather when our bodies thought it was 3 am in Europe. After landing we had to manage the human situation of several hundred people who did not want to be there.

There are many who aspire to be airline pilots but those who succeed have convinced everyone of their ability always to make safe decisions under pressure of time.

Your article is inaccurate with respect to salaries and hours; British pilots can fly up to 100 hours a month at any time of day and British Airways pays new pilots less than £30,000 a year. Industrial relations has been the Achilles' heel of UK industry and a clever, wealthy, company like British Airways should be able to resolve this dispute before the country is damaged.

Please don't belittle our profession. We do not perceive the job as glamorous and if we fail in our duties people may die.

Mr Tristram C. Llewellyn Jones,
56 Carlton Mansions,
Randolph Avenue,
Maida Vale,
London W9 1NR, UK

Take risk on innovation

From Mr Jack Savidge.

Sir: Your July 3 article, "Japan to throw money at research", and Mr Christopher Hull's remarks (Letters, July 5), leave out the most important research-to-commercialisation player – the innovator. Innovations great and small are made real and brought to market by innovators. Innovators are compelled forward because they perceive the reward of success as greater than the risk of failure. Innovators are entrepreneurs whether inside or outside the corporate walls.

Europe has marketable scientific discoveries, novel ideas and demonstrable technology. What it lacks is the communal forgiveness or acceptance of either success or failure. The risk of success is to be perceived as now different by friends and community. The risk of failure is financial disaster or loss of reputation. The potential European innovators have not received strong enough signals that, "whatever happens, it's OK to try!".

The European Union would do well to explore national cultural attitudes that have an impact on potential innovators. Further, financial policies should be evaluated that would mitigate honest commercial failure. By raising reward above risk, innovators will emerge in every culture to propel innovations.

Jack Savidge,
managing director,
TekLynk,
The Center,
Ballinlough Road,
Cork,
Ireland

Corporation clarity on pensioners' rights

From Sir Alex Falconer MEP.

Sir, Recently, the Mayor of the City of London, Sir John Chalstrey, and a representative party attended a meeting of the European parliament's legal affairs committee.

During a discussion about pension funds, I asked whether the visitors thought it right that the views of individuals and their trade union representatives were ignored by the managers of pension funds they had contributed to during their working life.

In replying to supplementary questions on the same subject, Miss Judith Mayhew (deputy chair of the corporation's policy and resources committee) said: "I do agree with you that the input of investors is very important, just as the input of shareholders in companies is very important.

"But you do have to realise that it is a highly technical area. But I do believe it is important that those whose pensions are being invested are given as much information as possible and indeed that there is consultation as well, and agreement as well. Consensus, I believe, is the word."

Needless to say I was pleasantly surprised. After all, this is a clearer and firmer commitment to the stakeholding principle than anything offered by Labour's newly published *Road to the Manifesto* – albeit from an unexpected source. Welcome on board Miss Mayhew!

Alex Falconer,
European parliament,
Rue Belliard 97-113,
B-1040 Brussels,
Belgium

Moscow keeps control in hotels upgrade

From Mr John Inge.

Sir, Further to your article "Moscow plans $1bn sale of 200 city hotels", (July 8), I am writing to clarify points in it which have caused anxiety in the Moscow Hotel Company.

GAO "Moskva" is a subsidiary of Moscow city government instructed by the city to deal with the projects aimed at upgrading the services and accommodation offered by Moscow Hotels. In order to implement their instructions in the best way they organised a tender for potential advisers to GAO "Moskva" in which both domestic and overseas companies took part. Knight Frank's credentials were the most impressive.

In our press release we said that only a few of the hotels were currently the subject of investment advice and in fact it is about 10 hotels on which we are presently doing research for their investment opportunities. The freeholds are not available and ownership will therefore remain in the hands of the Moscow Hotel Company. Any reorganisation will therefore take place in conjunction with the objectives of Moscow to provide investment opportunities for Russian and overseas investors and to improve its hotel accommodation, while retaining control of its assets.

The programme of the city government in the hotel sector had been under discussion for more than a year before they finally came to a point at which the services of a qualified adviser became necessary. If the city decides to privatise some of the hotels the city would retain its stake and employees would be entitled to get their share as well. Both domestic and overseas investors are welcome to participate in eventual tenders and auctions. However, this would take place only after a clear approach is worked out for each particular property.

Each hotel will be dealt with individually and there would be a variety of methods used for raising additional finance from the hotel sector. It is likely that it could be easier to buy control in the smaller and poorer quality hotels since a buyer would be committed to conduct expensive renovations. It is still impossible in Russia to buy the freeholds.

This is a brief overview of the mandate that has been given to my firm. Our authority to issue a release did not include any reference to Mr Yuri Luzhkov, the city's mayor, who has always emphasised the need to retain ownership of his city properties including these hotels. The indication in the headline to the article that he plans now to sell "all 200 hotels" is what has caused the anxiety in the company and which is quite untrue.

John Inge,
Knight Frank,
20 Hanover Square,
London W1R 0AH, UK

The world at their feet

Airlines are finding that the power of pilots can undermine plans for cuts, says Michael Skapinker

The problem with airline pilots is that they live in a world of their own, one aviation executive said yesterday.

They do not understand the ferociously competitive market in which their companies operate, he said. While other airline employees have seen their pay limited and their jobs cut, pilots have continued earning grossly inflated salaries.

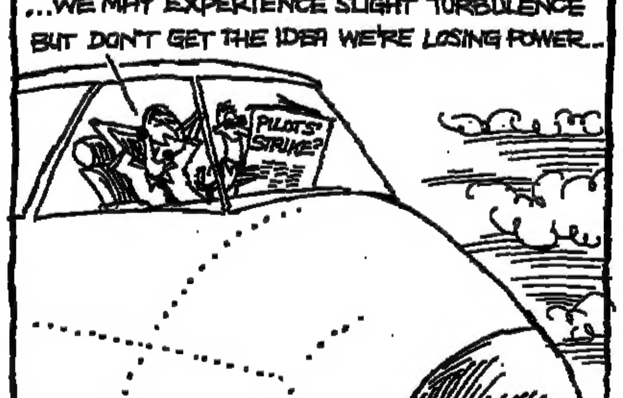
These observations were offered on one condition: on no account was the executive's name to be mentioned. Airline managers might criticise pilots, but they do so anonymously. Pilots' unions around the world have frequently demonstrated their ability to undermine chairmen, chief executives and shatter the idea that unions are in inexorable decline.

This is why the threat by British Airways pilots to go on strike has other carriers riveted. Unlike other airlines which have suffered pilots' strikes, such as Iberia of Spain and Air France, BA is not a financially harassed state-subsidised carrier.

BA's 1995 pre-tax profits of £585m were the highest of any carrier in the world. If any airline can begin breaking the pilots' unions, the other carriers say, it must be BA.

Mr Robert Ayling, BA's chief executive, said yesterday that a strike would result in cancellation of aircraft purchases and a freeze on recruitment. Yet BA and the British Airline Pilots' Association are still talking, both hoping to avoid a strike. BA says it is not prepared to offer the pilots more than other employees have already accepted. But Balpa is proposing a complex solution which involves trading pension benefits for increased salaries for the lowest-paid pilots. The union says this would mean that pilots' pay and pension increases overall would be similar to those offered to other staff.

While other airlines hope that BA will take on its pilots and defeat them, they suspect the airline would prefer to find a compromise. "You take on the pilots at your peril," a manager with one US airline says. "There's no question that they are a powerful group."



If there is a strike by other airline employees, such as check-in staff or baggage handlers, managers can often do their jobs. They cannot fly the aircraft. Nor can they replace pilots easily. Few in the industry take seriously BA's hint that it will employ foreign pilots. It would take too long to organise, they say.

Airline executives argue, however, that time is not on the pilots' side. While it takes up to two years to train a pilot, there is no shortage of applicants. BA has more than 3,000 applicants, some already trained, on its books.

So many people want to be pilots that BA sees no need to pay its trainees more than £5 a week plus free board and lodging. If BA takes them on permanently, they have to pay back a quarter of the £75,000 it costs to train them. Lufthansa of Germany goes further, making its trainees pay the full cost of their DM140,000 (£59,072) two-year training.

Once they join these airlines' staff, however, the pilots start earning the kind of salaries which make this sort of outlay worthwhile. BA pilots start on £21,000 a year. Lufthansa pays its new pilots DM72,800 a year. Lufthansa will not reveal the average pay of its flight crew but BA says its pilots average £74,000 a year.

While the number of people wanting to become pilots is increasing, the job of flying is becoming less onerous. Sophisticated computers do much of the work previously done by pilots. Mr Pierre Jeanniot, director-general of the International Air Transport Association, which represents airlines worldwide, said last year that he was worried that technical improvements meant pilots had too little to do during flights and that their awareness of potential danger was falling.

Mr David Beaty, an aviation writer and former pilot with BOAC, one of BA's predecessor companies, says: "When I started flying the Atlantic after the war, we were explorers. The accident rate was 10 times what it is today. We knew very little about ice or winds or the aircraft we flew in. We regularly used to lose engines.

"Today, the chances of losing an engine are far less, although it obviously does happen. The dangers are still there but nowhere near the degree that we were used to. The work is considerably duller than the work we did."

Mr Beaty bears no resentment towards today's pilots, however. "They are far more highly trained than we were. We had nothing like simulators." Nor does he accept that the modern pilot's job is an easy one. For one thing, they fly many more people in an aircraft. "They bear enormous responsibility. Being responsible for hundreds of people is an enormous undertaking. Think of the idea of going down in history as someone who killed 300 people."

Some airline executives go along with this view. "The pilots are a highly educated, highly responsible group. And the glamorous side of their job is very overplayed. Being away from your family for days at a time is not great," says one.

The difficulty for the pilots is that even the most successful airlines say they still need to cut costs. Deregulation in the US and Europe has encouraged low-cost, non-union airlines to compete with the large carriers. The long-term trend of airline fares is downwards.

BA says it will have to find £1bn of savings over the next three years to maintain its competitiveness. Lufthansa is looking for DM1bn in savings over five years.

Airlines will want pilots to bear their share of the pain. The question will be which carrier has the muscle to make them do so. Executives say that if it is not one of the wealthy ones, perhaps it will be one of the desperate ones.

If the BA dispute is settled, attention will turn to Mr Christian Blanc, chairman of Air France. Mr Blanc's plan to merge Air France with Air France Europe, its domestic partner, has resulted in strikes.

Other airlines, and pilots, will watch Mr Blanc closely. However tough he plans to be, they know that his predecessor, Mr Bernard Attali, was forced out of office in 1993 by employee strikes. Whatever the cost pressures on pilots, they still have the ability to ground airlines.

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday July 10 1996

Clarke sings summer blues

Where has Mr Kenneth Clarke's money gone? On the answer depends more than the case the chancellor of the exchequer can make for tax cuts in November. On plausible assumptions about economic growth, fiscal buoyancy and public spending, tax *increases* may be required.

The forecast public sector borrowing requirement for 1996-97 is now 3½ per cent of gross domestic product. This follows the provisional out-turn of 4½ per cent of GDP last year. Back in November 1994, when optimism was at a peak, the PSBR for 1995-96 and 1996-97 was forecast at 3 per cent and 1¾ per cent of GDP, respectively. The gap between the outturn now expected for this year and the one expected a little more than a year and a half ago is £13.9bn – 7p in the pound on the basic rate of income tax.

Over the course of this parliament, the Treasury now suggests, the PSBR will have been 6 per cent of GDP in 1992-93, 7 per cent in 1993-94, 5¼ per cent in 1994-95, 4½ per cent in 1995-96 and 3½ per cent this year. The public sector's ratio of net debt to GDP will have jumped from 27 per cent in 1991 to 46 per cent at the end of this year. Such a performance cannot be repeated.

The principal reason has been that the economy started in recession and, with the exception of 1994, has not grown very rapidly since. In 1995, it grew 2½ per cent, when the 1994 budget had expected growth of 3¼ per cent. In 1996 it is again expected to grow 2½ per cent, though the 1995 budget had expected it to grow 3 per cent.

If slow growth is the problem, rapid growth may be the solution. Here the Treasury has a cheery tale to tell. The economy is now expected to expand 3¼ per cent next year, driven by buoyant consumers' expenditure, up 4¼ per cent over the year. Performance of fixed investment is also expected to improve, with growth of 5½ per cent, up from 3 per cent this year.

This is plausible. Growth of consumer expenditure is already accelerating, driven by higher disposable income from tax cuts, lower mortgage rates, buoyant equity prices and "windfalls" from building societies and electricity companies. British consumers can always be expected to spend if given the chance. They are being given not merely the chance, but every encouragement. Mr Clarke will continue to encourage them.

So is all going to end well? Not necessarily, for three reasons.

First, the failure of revenue to match expectations is also because of a largely unexplained reduction in fiscal buoyancy. Even since the last budget, for example, revenue this year is expected to be £4.5bn lower than planned. Shortfalls in corporation and value added tax, in particular, do not result solely from lower than expected money GDP, but from lower than expected receipts in relation to profits and consumer spending, respectively.

Second, the fiscal forecasts depend on an extraordinarily tight control on public spending, with virtually no growth in real terms between 1994-95 and 1998-99. This has been sustained hitherto. It is hardly likely to be sustained indefinitely.

Last, above trend growth may itself prove unsustainable. With luck that should not be the case. But luck is the last thing any British chancellor should rely on.

So the fiscal position is finely balanced, at best. At worst, it could be toppling into a hole. Any tax cuts should be saved. The Treasury may well want its money back after the election.

Peace in peril

The latest sectarian violence on the streets of Northern Ireland is as dangerous as it already seems depressingly familiar. After two years of relative peace, the risk is of a return to full-scale confrontation between Protestants and Catholics. A heavy responsibility now rests with the province's unionist politicians to prevent that from happening.

The images of mob violence flashed around the world during the past few days have offered succour to only one group in the province – those in Sinn Féin/IRA who have refused to disavow terrorism. Since ending their ceasefire earlier this year, republicans, rightly, have been treated as pariahs. Now, they will pose once again as the defenders of the province's Catholic communities against the Protestant majority.

The July marches with which unionists still celebrate the victory of William of Orange over James II at the Battle of the Boyne more than 300 years ago have long been a cause of sectarian tension. To most people in Britain, they appear a curious and outdated anachronism.

But for Protestant members of the Orange Order, the parades are the most public assertion of their right to remain part of the UK. And for nationalists, they represent a triumphalist expression of the historic hegemony of the unionist majority.

It is thus left to the police in the province to balance the rights of the unionists to march along their traditional routes against the needless provocation this sometimes offers to nationalist communities along the way. It was in an attempt to strike this balance that Northern Ireland's chief constable placed a partial ban on the annual Orange Order parade in Drumcree, Portadown.

Some unionist politicians have sought to explain, if not justify, the subsequent violent demonstrations by loyalist groups by blaming the London government for alleged appeasement of the IRA in its search for a new political settlement. Others have asserted an absolute right to demonstrate along traditional routes.

But there are bigger issues at stake than whether the chief constable's decision over Drumcree was well-judged or otherwise. The first is the absolute duty of political leaders to respect the rule of law. To hedge that duty is to offer encouragement to the advocates of violence. The second is the failure of some unionists to understand *that, ultimately, peaceful co*existence and mutual respect with nationalists offers the best guarantee of a secure future for Northern Ireland within the UK.

Force majeure

It is no coincidence that the cuts in German defence spending follow hard on the heels of similar reductions in France. Both countries are trying hard to squeeze their bloated budgets into the tight corset of conditions set for joining a single currency. Defence spending is a natural target for finance ministries, not least because such spending is partly discretionary when threats are hard to spot.

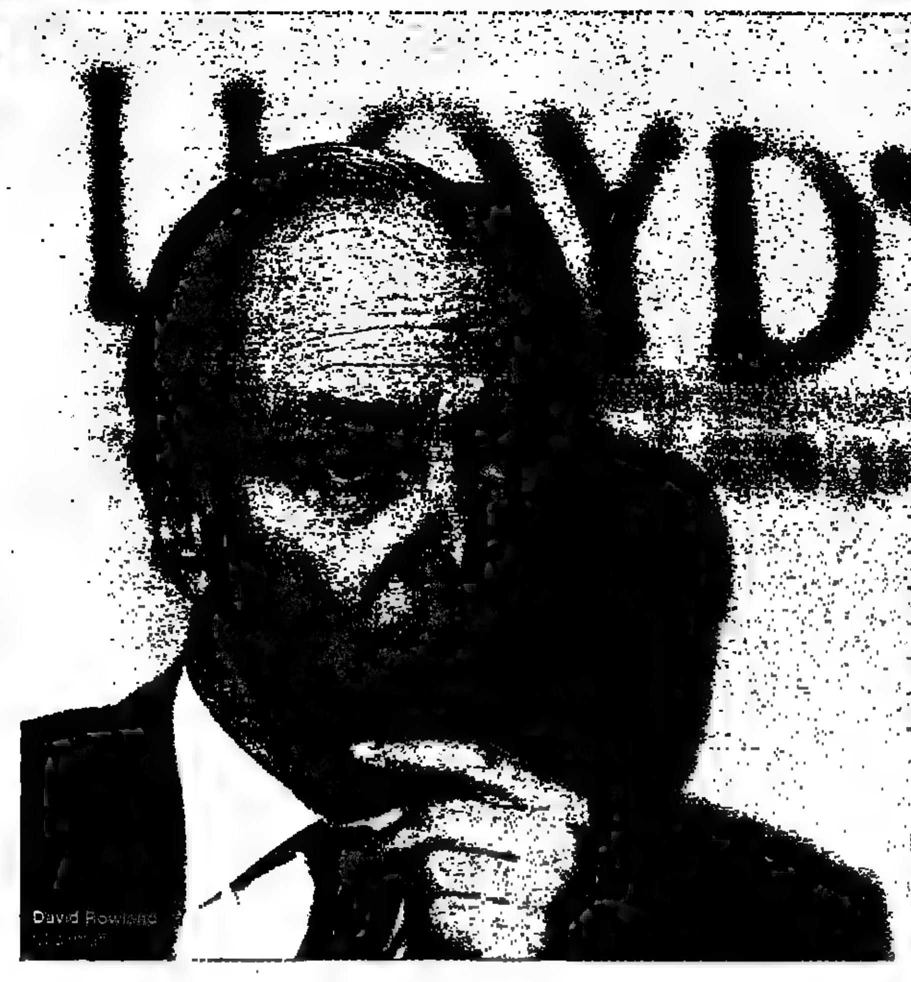
Local politics has hit international collaborative equipment programmes hard. Dassault, France's military aircraft maker, won the argument for its fabulously expensive Rafale fighter. That meant that programmes with less political muscle, such as the Tiger attack helicopter, the NH 90 transport helicopter and the Future Large Aircraft transporter lost funds.

To the irritation of Bonn, all of these are Franco-German programmes, and retaliation seems likely. Funding for Eurofighter, the programme most important to Daimler-Benz Aerospace and which does not involve France, is likely to be *secure*. French programmes, such as the Helios spy satellite, may not be so lucky.

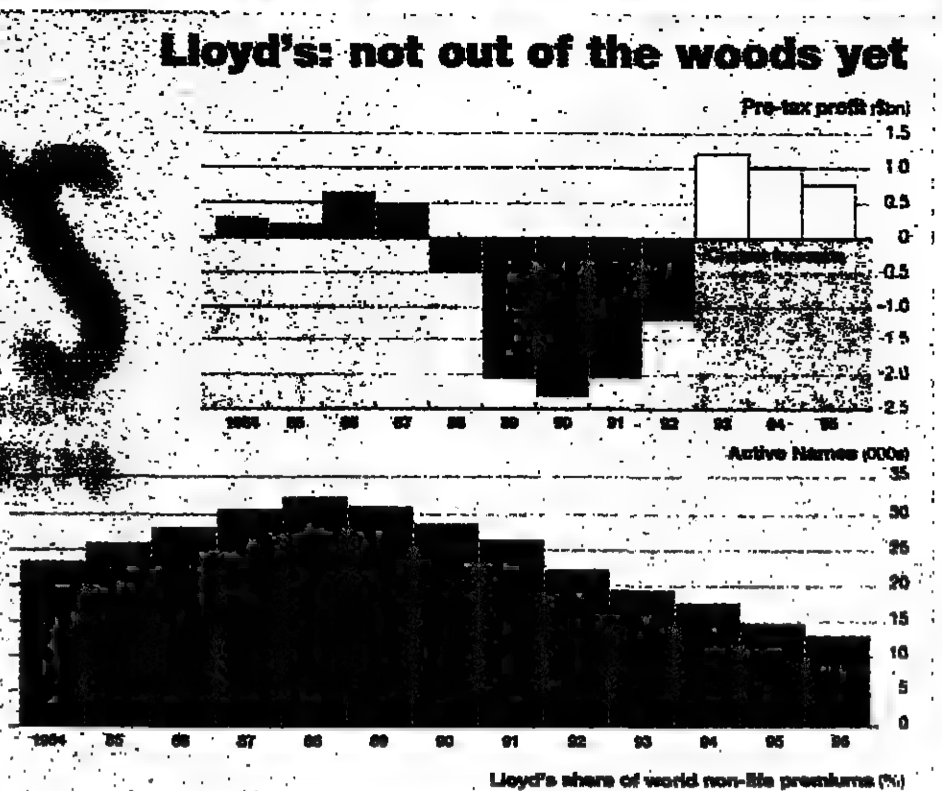
Neither country wants to be blamed for outright cancellation of a programme. So projects such as the Tiger and NH 90 helicopters are likely to follow the FLA into limbo, with low-level development work continuing, but no expensive production contracts placed. Both governments may hope that the spending corset will be loosened after 2002 when the single currency is in place, allowing these programmes to be revived.

Whether these delays will have a significant impact on the rationalisation of the European defence industry remains moot. Industry, always keen to focus on new programmes, is nervous. Yet the pressure may be just what the governments and companies need to face up to reform of their procurement processes. It is slowly being accepted in both Bonn and Paris that military equipment must be affordable if the armed forces are to have new weapons.

If these forces lead to more open tenders for continental defence contracts and a more commercial attitude from privatised continental companies, they will be better able to deal on terms with US and British firms which have already made the painful adjustment. They will also be better placed to negotiate mergers on a properly commercial basis with their peers. The hope must be that the companies seize this opportunity for change, rather than retreating into an unedifying fight over a shrinking pork barrel.



David Rowland



Lloyd's share of world non-life premiums (%)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Marine	20.6	20.2	19.8	18.7	10.1	17.6	18.2	16.4	15.6	15.7
Non-marine	1.3	1.4	1.4	1.4	1.3	1.3	1.6	1.8	1.8	1.7
Aviation	19.8	19.5	20.8	21.3	19.4	18.9	19.2	25.8	27.4	26.2
Motor	0.5	0.6	0.6	0.8	0.7	0.6	0.6	0.8	0.9	0.9

Sources: Lloyd's, Chubb

Liable to more upheaval

Lloyd's of London may be edging towards a recovery plan after its recent losses but many conflicts remain unresolved, says **Ralph Atkins**

Lloyd's of London is close to making a comeback. After five years of severe losses, the insurance market is expected to reach a deal in August with its 34,000 investors, the Names, which should banish fears of its impending collapse. The rescue of Lloyd's, says Mr David Rowland, chairman, would provide "an amazing signal of what is possible".

But as Lloyd's recovers and profits begin to flow, new conflicts are emerging at the 300-year-old market. The outcome of these disputes over its structure, its capital base, and its burdensome administrative expenses will determine the institution's role in the next century in the competitive world of international insurance.

Even before agreement is reached on the recovery plan, which includes a £3.1bn out-of-court offer to lossmaking and litigating names, Mr Rowland has unveiled proposals for a wide-ranging internal review of Lloyd's organisation.

"Any feeling that we relax and say, 'whoopee, that's done' would, I think, be a disaster," says Mr Rowland, who is expected to receive enthusiastic backing for the recovery plan at Monday's annual meeting in London. Lloyd's faces challenges on three fronts:

● Tension between the traditional Names – individuals with unlimited liability – and more recent corporate investors. The Names have borne more than £8bn in losses caused by negligent underwriting, natural disasters and a surge in US pollution and asbestos-related claims.

Many have stopped underwriting and the recovery plan will encourage a further exodus: previously unquantifiable US liabilities will be "capped", allowing trapped Names to sign a final cheque and leave.

But some Names, having survived the worst years, are determined to benefit from a reformed and now profitable Lloyd's. They will defend their interests against any threats posed by the new corporate investors – professional fund managers and insurance specialists which have pumped £1.5bn into limited liability corporate members at Lloyd's in the past three years.

● The reform of Lloyd's central organisation. As Lloyd's fought for survival, little attention was paid to cost-efficient management of services – such as claims handling – provided by the central Lloyd's Corporation to agency companies which run syndicates and handle Names' affairs. The expense of implementing the recovery plan will increase the pressure for savings.

If Lloyd's becomes dominated by large integrated insurance companies backed by professional investors, will there be a need for the same level of services such as marketing provided by the Corporation?

● International competition. After good profits in the mid-1980s (Lloyd's itself made more than £1bn in 1993, to be reported on Friday under its three-year accounting system), insurance and reinsurance premium rates have been cut by as much as 25 per cent in the last year. Profits are under threat. Insurers in Bermuda, continental Europe, the US and elsewhere in London will be reluctant to cede market share to a more confident Lloyd's.

As Lloyd's begins to address these issues, the worry is that the crisis mentality which has united competing interests behind the recovery plan will disappear.

There is already haggling over the future of the system by which Names commit their wealth for only a year at a time – and over the principle of unlimited liability which makes Names liable to the extent of all their assets.

Raising capital year by year allows Names to switch syndicates easily but is expensive and unpredictable: underwriters do not know until late in the year how much business they will be able to transact in the following 12 months.

Underwriters increasingly want "permanent" capital which would allow them to spend more time building relationships with policyholders. "The argument is one of timing, not whether or not it happens," says Mr Michael Wade, chief executive of CLM, one of the new Stock Exchange listed corporate investors at Lloyd's.

This week Mr Rowland signalled that he, too, wanted an end to the annual venture, saying it was "an uncomfortable instrument" for long-term insurance business. Names, he suggested, might have to make a longer-term commitment.

But a vociferous lobby of Names – even if they make concessions on the annual venture – will want to ensure the traditional Name remains a potent force at Lloyd's and are demanding a "bill of rights" to protect them against encroaching corporate capital.

The Dowager Lady Delves Broughton, who chairs the 700-strong High Premium Group, representing Names each underwriting more than £1m of business, says: "I haven't come across one member of our group thinking of resigning."

Unlimited liability, meanwhile, appears set to remain in place for some time in spite of scepticism among underwriters about its value as an indicator of financial security given the recent reluctance of Names to fund large losses. There are tax advantages for the Names and it allows them to underwrite business generating annual premium income of as much as five times their investment at Lloyd's.

The danger is that such arguments among investors will distract Lloyd's as it seeks to focus on increasing its attraction to customers – the policyholders – in a hostile trading environment. As Mr Robert Hiscox, chairman of the Hiscox group of Lloyd's agencies, says: "We should spend the next five years concentrating on the business not arguing about the capital base."

Most at Lloyd's believe the market has good opportunities for growth. In spite of its troubles, Lloyd's share of world markets has remained roughly constant over the past decade. Its share in areas such as aviation and motor insurance actually rose in the decade to 1993.

Lloyd's strength lies in its ability, as a collection of separate "syndicates" operating under the umbrella of a central organisation, to foster innovation and initiative. Underwriters are motivated by large personal stakes in their businesses and have a reputation for insuring the biggest risks – including satellites and properties in earthquake-prone California and Japan.

"Lloyd's is about entrepreneurship. I was able at the age of 27 to run an international insurance business," says Mr Hiscox, whose father was chairman of Lloyd's in the late 1960s.

Underwriters and managers can devote their energies to developing new products because many other functions, such as back office operations, are handled centrally by the Corporation. In addition, licences to trade around the world are shared. There is also "common security" backing Lloyd's insurance policies; if a Name cannot afford or refuses to pay a claim, the market's central guarantee fund makes good the shortfall.

A drawback of this "mutualisation", however, is that the large, most efficient groups at Lloyd's feel held back by weaker rivals – a concern likely to grow as the new generation of professional investors encourage consolidation between underwriting syndicates.

"The big players might get frustrated at the encumbrances of Lloyd's," says Mr Hiscox, "as you have got to go at the speed of the smallest and most reactionary."

That irritation is exacerbated when central facilities become burdensome and expensive. One option under consideration is to spin off central services such as claims handling, accounting and training into a separate company or companies. Those running underwriting agencies at Lloyd's or looking after investors' affairs would then buy only the services they required. In time, such services could be sold to insurers outside Lloyd's – or bought in from elsewhere in a free market environment.

Another area ripe for change is regulation. By law, Lloyd's is largely responsible for its own regulation although the Department of Trade and Industry has a role in protecting policyholders' interests. But the system is intrusive, costly and, as history suggests, not always effective.

Lloyd's regulatory department employs 150 people and has an annual budget of £12m. The DTI, which regulates the rest of the UK insurance industry, manages with about 120 staff on a budget of £8m. Transferring Lloyd's regulation to another body, such as the Securities and Investment Board, would have much support within Lloyd's

There is frustration, too, that Lloyd's has to operate under special acts of parliament which need a complex system of bylaws set by its ruling council. They also require the chairman to be chosen from the six council members elected from among Names working at the market. The government has promised a review of legislation next year.

The difficulty Lloyd's faces is that decisions over its governance and regulation depend largely on its future capital structure. A market dominated by professional investors, for example, would require less onerous policing. But the appetite among Names to remain at Lloyd's, once the recovery plan is implemented, will not be known for many months.

As Lloyd's leaders take the stage at the Royal Festival Hall next week for the annual meeting, the difficulties of resolving such questions will prey on their minds. Five years of anguished conflict are close to an end. But the struggle to win the peace has barely begun.

OBSERVER

Vexed of Vilnius

■ Time was when the task of representing Lithuania in London was a job for life. Its first post-Soviet ambassador to Britain, Vincas Balickas, had been on the London diplomatic circuit for more than half a century in 1991, when his country regained its independence. He was then 87.

But these days, the job of speaking for Vilnius at the Court of St James has become the object of constant disputes. One ambassador, Raimundas Rajeckas, was recalled abruptly a few months ago after he called publicly for the resignation of his country's prime minister over a banking scandal. So Lithuania is to have a new London representative, Justas Paleckis. However, he has generated even greater controversy at home.

Like his predecessor, Paleckis is a very experienced diplomat – but he acquired his experience in the service of the Soviet Union, representing that country in Switzerland and East Germany in the days when Lithuanian independence was but a twinkle in the eye of elderly romantic expatriates.

There have been loud protests from opposition politicians back home, who reckon the ex-communist government is rushing to put its own man in the London job before next October's parliamentary elections. So different from the old days, when nobody could have accused Lithuanian foreign policy of undue haste.

Overbanked

■ Who says image consultants don't earn their fees? Bank of Boston, which is merging with its highly-regarded Massachusetts neighbour BayBanks, has come up with a new name, with the help of *consultants* at Interbrand Schechter.

According to Chad Gifford, the bank's chairman, the new identity is an "expression of a united institution that combines the values of the past with the promise of the future". He is, he adds, "excited about the name".

William Crozier, his counterpart at BayBanks, adds: "This new name represents the culmination of extensive research and analysis."

And the name? BankBoston. Wonder how much they paid for that.

Winds of change

■ *Has Lars Windhorst* possibly had the wind knocked out of his sails? The 19-year-old *Wunderkind*, who had pride of place next to Chancellor Helmut Kohl on his trip to Asia last year, was earlier this year being held up by Kohl as the answer to all Germany's economic woes on account of his entrepreneurial success.

Now the state prosecutors in Bielefeld have begun investigations into young Lars' business empire which does everything from building Vietnam's biggest skyscraper to electronics manufacturing, stretches around the globe, and last year produced sales of DM180m.

While the prosecutor was yesterday stressing that the inquiries were very preliminary, the Windhorst group put out a three-page press release rejecting a number of allegations made in this week's issue of Der Spiegel, the news magazine. Der Spiegel had suggested that many of Windhorst's businesses existed only in glossy brochures.

A spokesman for Windhorst said the allegations were just sour grapes being spilled by one of his former Hong Kong-based managers whom Windhorst fired last week.

Trunk call

■ No sooner has Douglas Hogg put the lid on the mad cow crisis, than he has a new menace to contend with: pestilent elephants.

Yesterday the hapless UK agriculture minister announced new restrictions on elephants entering the UK on the grounds that they might harbour foot and mouth disease.

Since the disease can wipe out cattle almost as quickly as BSE, Hogg's caution is understandable. And it can't be a lot of fun for the elephants, given the size of their feet and mouths.

Miracle fever

■ The mystery of a bleeding Madonna statue which has brought miracle frenzy to an Italian port has been preserved. Italy's constitutional court has ruled out DNA testing to determine the *source of the blood*.

Initial tests revealed the red liquid "tears" streaking the white plaster virgin's face to be male blood. Not promising for the pilgrim boom in Civitavecchia, north of Rome.

Magistrates promptly ordered the statue's owner, Fabio Gregori, and his family to undergo DNA tests, despite their protests.

But Italy's constitutional court has declared that this would infringe their personal liberty – and the statue's too, perhaps, although the court was silent on this matter.

Indeed, the statue has only recently been released from court-ordered "house arrest", and magistrates have warned that continuing to display it before the tears are proved authentic risked violating laws forbidding "abuse of public sensitivities".

Might be easier all round if it turned out to be a hoax...

The Financial Times

100 years ago

The French in Dahomey
A Dalziel agency message from Paris states that the negotiations commenced between England and France for the delimitation of Upper Dahomey are temporarily suspended. The "Figaro" hears that the Royal Niger Company is profiting by the rupture to occupy all the posts evacuated by France in the disputed territory.

50 years ago

Senate Debate on Price Control
Washington, 8th July. Mr Alben W. Barkley, Senate Democratic leader, appealed to-day to the Senate for a quick revival of the Office of Price Administration, saying that price rises reported last week emphasised the need for a resumption of controls. Opening the Senate debate on compromise legislation extending the life of O.P.A., Mr Barkley asked his colleagues not to "thresh over old straws" in discussing the controversial measure. "We've already seen the results of one week of lack of price control," he said. – Reuter.

Nationalisation of Steel
No material progress seems to have been made towards the constitution of the Steel Board, and it now appears uncertain whether the list of the names will be announced before the summer recess of Parliament. The Government views the delay with growing concern.

FINANCIAL TIMES
Wednesday July 10 1996

Major in appeal to Protestants for restraint

Ministers fear growth of violence in Ulster

By John Kampfner in London and John Murray Brown in Belfast

Loyalist leaders warned last night that Northern Ireland was heading for further violence unless the security forces backed off in their confrontation with Protestant marchers.

After a one-hour meeting with Mr John Major, the UK prime minister, at Westminster, leaders of the three main unionist parties refused to condemn wildcat actions by demonstrators, which have included the burning of Roman Catholic homes and the blocking of main streets.

UK ministers fear an escalation could prompt leaders of Protestant paramilitaries to follow the IRA in ending their ceasefire.

Mr Major told parliament that the escalation, which has put Northern Ireland on the verge of all-out conflict for the first time in two years, was "indefensible".

But his appeal for restraint appeared to fall on deaf ears.

The Rev Ian Paisley of the Democratic Unionists said Mr Major was wrong to support the decision of the Royal Ulster Constabulary to deny permission to the Protestant Orange Order to march past a mainly Catholic area in the village of Drumcree. Mr Paisley said Protestants would converge on Drumcree for the annual march on July 12, which marks the anniversary of the defeat of the Catholic King James II by William of Orange at the Battle of the Boyne in 1689. Mr Paisley described the situation as a "powder keg".

Mr David Trimble of the Ulster Unionists, who has been at the heart of the stand-off between Orangemen and the RUC, said he was prepared to meet church leaders, including Catholics, to try to resolve the crisis.

Editorial Comment ....Page 11

But he said: "The problem has been caused by the threats of Sinn Fein/IRA and because the Chief Constable and the government have surrendered to those threats. People are now saying 'enough is enough'." Unionists said earlier they would not take part in all-party talks in Belfast until the RUC had backed off.

The first flashpoints last night between police and demonstrators were at Richill in County Armagh. RUC officers tried to move hijacked lorries blocking a road, firing plastic bullets when they came under attack from around 100 demonstrators.

More Orange parades were staged, in north Belfast – the site of serious disturbances on Monday – and in Downpatrick, a largely Catholic town.

Many roads in Belfast were closed and the university town of Coleraine, Co Londonderry, was closed off. Some businesses closed early so workers could get home before barricades went up.

As some tourists began to leave Northern Ireland, Baroness Denton, the economy minister, said the violence would hinder efforts to encourage investment.

"We will never know how many companies who had put us on their lists will now not even pick up the phone," she said.

Church leaders urged calm. Church of Ireland archbishop Robert Eames said: "We have to resist anything that will bring this province to its knees."

Sir Patrick Mayhew, Northern Ireland secretary, rejected unionist claims that the police action had been intended as a concession to nationalists. "That decision was taken constitutionally by the Chief Constable in the execution of his constitutional duty. There was no pressure from government," he said.

Tokyo promises new effort to promote deregulation

By William Dawkins in Tokyo

Japan's Economic Planning Agency said yesterday it will issue a new set of economic deregulation measures on Friday in an attempt to support the country's economic recovery.

Mr Shusei Tanaka, EPA director general, , said it was vital to "make further efforts" to promote structural reform in the economy to ensure the recovery had a chance to develop.

But economists said his proposals stood little chance of making progress. The measures, which will be presented to the next cabinet meeting, cover six sectors: computers and telecommunications; distribution; finance; housing and property development; employment; and medical care and welfare.

Unlike previous deregulation efforts, usually the result of a cautious consensus between several government ministries, this one is the personal work of Mr Tanaka, a member of the New Harbinger party, which supports economic reform.

However, the NHP is the smallest member of the three-party government coalition which is dominated by the conservative Liberal Democratic party. The LDP has reservations about deregulation because its traditional supporters, small retailers and farmers, are opposed to it.

For that reason, economists in Tokyo believe Mr Tanaka's scheme will make little headway.

"Deregulation has been a lost issue ever since the LDP returned to power [in June 1994]. This plan might look good on paper, but it will be impossible to implement, even if the government really wanted to," said Mr Ron Bevacqua, economist at Merrill Lynch in Tokyo.

The announcement of the plans coincided with the EPA's latest monthly report, which indicates that personal consumption and private sector capital spending are recovering but that industrial output is as yet barely growing.

"The economy is continuing to recover as seen in the increasingly bullish tone in private sector demand, but the tempo of the recovery is gradual for now," said the report.

An EPA official characterised this as "half a step forward".

The EPA forecasts a 0.3 per cent rise in industrial output in the second quarter of this year, a slight slowdown from the 0.4 per cent rise in the three months to March.

Separately, the agency reported that Japanese companies spent 5.6 per cent less on machinery in May than in the previous month, but 18.9 per cent more than in May last year.

Insurers seek curbs on pollution as weather claims rise

By Ralph Atkins in London

A group of the world's insurance companies yesterday stepped up pressure for tougher international curbs on environmentally damaging emissions by calling for "early and substantial" reductions in greenhouse gases.

The insurance industry call came as government ministers met at a United Nations conference in Geneva to continue negotiations over controlling the level of emissions from 2000.

It reflected mounting concern by insurance companies that climatic change is leading to an increasing number of severe weather incidents such as hurricanes or flooding – in turn boosting insurance policy claims.

However, the insurers did not specify target reductions. Mr Andrew Dlugolecki, assistant general manager of UK-based General Accident, said: "Nobody can yet say what targets are necessary or feasible."

Mr Dlugolecki also acknowledged that many insurers were continuing to cut the cost of property insurance in response to fierce competition, although rates in high-risk areas have been slower to fall. "Unfortunately, the market sometimes takes a short-term view," he said.

Insurers have sought to increase their influence in the environmental debate partly in response to the failure of many countries to honour a pledge made by the industrialised world at the Rio Earth summit four years ago.

This set the target of stabilising emissions at 1990 levels by the end of the decade.

The insurers also want to counter arguments by the energy and transport industries that the cost of cutting emissions would be more than losses caused by rising temperatures.

Yesterday's call was made by the steering committee of the UN environment programme insurance initiative which includes representatives of General Accident; Germany's Gerling-Konzern Globale Reinsurance; Swiss Reinsurance; Uni Storebrand of Norway; and Sumitomo Marine & Fire Insurance of Japan.

The initiative has 57 signatories committed to the "precautionary principle" – the idea that scientific uncertainty and the need for further research should not be an excuse for avoiding early action.

THE LEX COLUMN

Judging Germany

The German stock market has been one of Europe's best performers this year; it has risen by almost 14 per cent and stands within a whisker of its all-time high. Nonetheless, the second half of the year is likely to be duller. While the German economy has undoubtedly started to recover, growth of less than 1 per cent this year, followed by perhaps 2 per cent in 1997, is hardly inspiring. High unemployment will continue to restrain consumer spending. And, unlike Japan, there is no chance of a fiscal stimulus, as the government cuts spending to meet the Maastricht criteria. Meanwhile, the Bundesbank's scope for reducing rates further is coming to an end.

FT-SE Eurotrack 200:
1732.1 (+3.8)

Germany

Dax index relative to the FT/S&P-A Europe (ex UK)

Source: FT Graphite

Against that short-term background, German shares look expensive. The market is trading on 19 times earnings for 1996, falling to 16 times next year. That compares unfavourably with a historic range of 12-17 times and with earnings growth of around 15 per cent in each of the next two years – excluding the distorting effect of Daimler-Benz swinging back into profits.

But the longer-term outlook is much more promising. There is huge potential to improve corporate profitability through restructuring. The outperformance of companies such as Veba, Hoechst and Volkswagen which have espoused shareholder value will tempt others to follow. Disclosure is improving as companies switch to international accounting. And Germany is still the safe way to gain exposure to eastern Europe. With these prospects, investors should hold on through any short-term disappointments.

Canal Plus

The recent shifting of European pay-television alliances is bad news for Canal Plus. Earlier this year, the French pay-TV group looked well-positioned as a result of its venture with Mr Rupert Murdoch's BSkyB and Bertelsmann. But that alliance has disintegrated; BSkyB has teamed up with Germany's Kirch Gruppe while Bertelsmann has merged its TV interests with CLT of Luxembourg, which has ambitions to attack Canal Plus's core French market. The net effect is that Canal Plus is without a partner in German digital pay-TV and faces the prospect of greater competition at home.

Nevertheless, investors should not take too gloomy a view. For a start, Canal Plus may yet secure a slice of the German market, as Kirch and BSkyB may be prepared to offer it a small stake in their venture if that further undermines Bertelsmann's plans. Meanwhile, Canal Plus's home base still looks fairly secure, despite CLT's plans to set up a rival service.

But the main reason for being fairly sanguine about Canal Plus is that its shares are still relatively cheap. Looked at on a conventional price/earnings basis – Canal Plus trades on about 38 times this year's earnings – they may not seem so. But given the fast growth of pay-TV, p/e ratios are not terribly meaningful. Look instead at Canal Plus's enterprise value (market capitalisation minus cash). At $4.5bn, it is only a third of BSkyB's despite the fact that it has more customers than the British company. Granted, BSkyB is more dynamic, growing faster and better-positioned in Germany; still, a ratio of three to one seems too large.

Endesa

How do you sell a stake in a company when you are about to rewrite its competitive regime from scratch? That is the problem facing the Spanish government, which rightly wants more competition in the electricity market – but also wants to cut its stake in Endesa, Spain's giant power group. Fortunately, it may have a neat solution to hand: sell a chunk of shares not to the market but to the company itself. That way, there would be no need for an offering heavily discounted by regulatory uncertainty.

It is an ingenious wheeze, but should minority shareholders be wary? With many investors already rattled by crude political interference in other partly-privatised Spanish companies, they may take some convincing. After all, the government could easily exploit its control of Endesa unfairly, by fixing the buy-back price too high. To avoid this charge, the company should opt for the fair solution: make any buy-back available to all shareholders at the same price.

Assuming it does, a buy-back should suit existing shareholders' interests nicely. It would depress the share price less than an offering, while helping reshape the company's absurd capital structure. At more than five times, Endesa's interest cover is already high. And despite ambitious investment plans, the company is generating funds so fast it could have net cash by the end of the decade. For a utility, this is a nonsense. If anything, since Spanish law restricts companies to cancelling 5 per cent of their shares at one time, shareholders should press Endesa to do not one buy-back but several.

Docks de France

Distress flares from besieged French supermarket group Docks de France have been spotted in Britain, where the leading food retailers are sensibly running slide rules over the company. After all, Docks is one of just three opportunities – Casino and Cora being the others – of buying a meaningful slice of the French market. British distribution skills and experience with own label brands offer potential for enhanced profits, while increased group sales should mean bigger discounts from suppliers. And for Tesco, there is the additional attraction of rebuilding its poorly performing investment in Catteau.

Nonetheless, they would be foolish to bet £2.5bn ($3.90bn) on Docks. Auchan has already fired off a FFr17bn ($3.29bn) offer for Docks. And not only is Auchan private, so it has no fund managers to keep happy, but it could reap significant cost savings from merging with Docks. Its initial offer may have been rebuffed; but it can get away with paying much more.

At a price of £2.5bn, Docks would be valued at 30 times current year earnings, compared with ratings of close to 13 for UK food retailers. Accounting differences explain part of that gulf, but after stripping out interest, tax and depreciation, Docks is still much more expensive than its British counterparts – and it is already well managed. Any rights issues to fund the takeover would considerably dilute earnings per share and there would be a £2bn goodwill write-off upon acquisition. The record of UK retailers outside the UK has been dismal and it is hard to see how the takeover of Docks would reverse that trend.

Additional Lex comment on UK economy, Page 18

Jacobs' chocolate deal

Continued from Page 1

Société Centrale d'Investissement, which holds 51 per cent of SCIA, is a French holding company with investments in a wide range of activities, including foodstuffs, property and banking. However, the company said yesterday Cacao Barry was its most valuable participation.

In 1995, Barry made net profits of FFr121m on turnover of FFr3.6bn. It is an integrated producer whose main operations are in the Ivory Coast and the Cameroons. It has a presence in all main consumer countries.

Banks' debt market plan

Continued from Page 1

payments would be guaranteed by all clearing house members.

Its backers expect the clearing house to allow the offsetting of transactions at the end of every trading day, lowering administrative costs for investment banks in the increasingly competitive market.

The reduction of "counterparty" risk and administrative costs together with the increasingly broad investor interest in emerging markets are expected to generate a further increase in trading volumes.

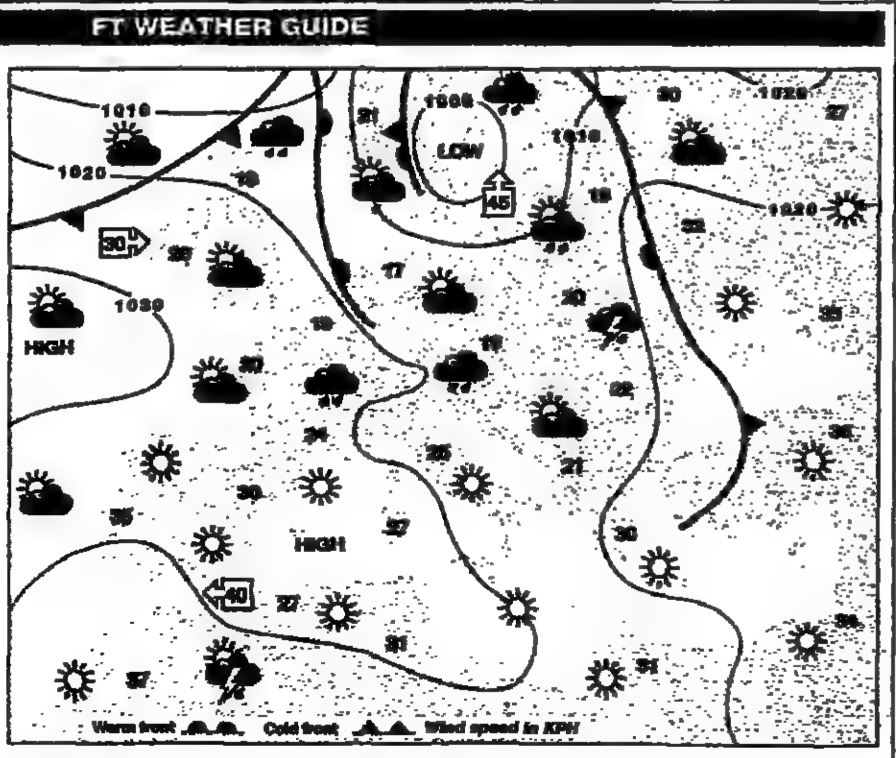
FT WEATHER GUIDE

Europe today

Mild but humid air will spread from the west over the British Isles and western France. Temperatures will rise but cloud will persist in many places. The Alps will remain cloudy and cool with rainy spells, especially in the north. Central and northern Italy will have showers and some sun. Spain will continue sunny and warm. Greece will be very warm. Turkey and Cyprus will have local maximum temperatures near 40C. A weakening depression will continue to give rain over southern Sweden and parts of Finland and Poland.

Five-day forecast

Central Europe will be warmer because sprawling high pressure is expected to form in the second part of the week. The Alps will have more sun with temperatures reaching 25C in the valleys during the weekend. Spain and Portugal will become warmer with very high temperatures expected during the weekend. The British Isles and Scandinavia will continue unsettled and relatively cool. The Benelux will have slowly rising temperatures towards the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	rain	27	Caracas	cloudy	32	Faro	sun	29	Madrid	sun	33	Rangoon	fair	33
	Celsius		Belfast	shower	21	Cardiff	fair	22	Frankfurt	cloudy	20	Majorca	sun	26	Reykjavik	fair	11
Abu Dhabi	sun	44	Belgrade	thund	20	Casablanca	fair	26	Geneva	shower	22	Malta	sun	25	Rio	fair	30
Accra	fair	28	Berlin	fair	19	Chicago	fair	23	Gibraltar	sun	28	Manchester	fair	22	Rome	fair	25
Algiers	sun	27	Bermuda	fair	30	Cologne	cloudy	18	Glasgow	cloudy	20	Manila	shower	34	S. Frsco	fair	23
Amsterdam	cloudy	17	Bogota	cloudy	17	Dakar	cloudy	30	Hamburg	fair	17	Melbourne	rain	13	Seoul	fair	29
Athens	sun	31	Bombay	shower	32	Dallas	thund	34	Helsinki	cloudy	20	Mexico City	fair	27	Singapore	cloudy	31
Atlanta	fair	34	Brussels	cloudy	19	Delhi	fair	36	Hong Kong	fair	32	Miami	fair	34	Stockholm	rain	15
B. Aires	shower	13	Budapest	thund	20	Dubai	sun	44	Honolulu	fair	32	Milan	shower	25	Strasbourg	rain	18
B.ham	fair	22	C.hagen	fair	19	Dublin	fair	21	Istanbul	sun	29	Montreal	fair	24	Sydney	fair	16
Bangkok	thund	36	Cairo	sun	35	Dubrovnik	fair	24	Jakarta	fair	32	Moscow	sun	32	Tangier	fair	29
Barcelona	sun	24	Cape Town	fair	22	Edinburgh	cloudy	20	Jersey	cloudy	19	Munich	rain	17	Tel Aviv	sun	35
									Karachi	fair	36	Nairobi	fair	25	Tokyo	rain	25
									Kuwait	sun	46	Naples	sun	28	Toronto	fair	28
									L. Angeles	sun	33	Nassau	fair	32	Vancouver	fair	21
									Las Palmas	fair	27	New York	fair	26	Venice	fair	28
									Lima	cloudy	18	Nice	sun	25	Vienna	shower	19
									Lisbon	sun	33	Nicosia	sun	38	Warsaw	shower	18
									London	drzzl	21	Oslo	fair	20	Washington	sun	28
									Lux.bourg	rain	17	Paris	fair	22	Wellington	rain	12
									Lyon	fair	24	Perth	sun	18	Winnipeg	fair	28
									Madeira	fair	25	Prague	cloudy	19	Zurich	cloudy	17

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 10 1996

IN BRIEF

WORLD STOCK MARKETS

Today the FT starts publishing share price highs and lows on a rolling 52-week basis for most companies on the World Stock Markets page. This gives a more consistent period over which to judge share price performance than the calendar year method which it replaces. Page 29

Volvo keen to raise stake in NedCar

Volvo of Sweden said it was keen to raise its stake in NedCar, a three-way joint venture with the Dutch government and Mitsubishi Motors, as part of its plan to expand its Netherlands-based car operations. It said it wanted to exercise an option to purchase half the Dutch government's one-third interest in NedCar. Page 14

Indian pipeline group puts back GDR issue
SAW Pipes, the Indian pipeline engineering group, has postponed a $60m Global Depositary Receipt issue, which had been due for pricing this week, following a fall of more than 10 per cent in its Indian share price last week. Page 16

Lloyds TSB bank stake review 'inevitable'
Macquarie Bank, Australia's leading privately-held merchant bank, believes a review by Lloyds TSB, the UK banking group, of its 14 per cent stake in Macquarie is "inevitable". "It's not a strategic stake," said Mr David Moss, Macquarie's chief executive. Page 16

International Paper upbeat despite fall
International Paper of the US, the largest paper manufacturer in the world, gave a more optimistic assessment of the outlook for the industry while announcing a fall in earnings for its second quarter from $316m a year ago to $99m. Page 17

Glaxo raises hopes on triple Aids therapy
Glaxo Wellcome, the UK's largest drugs company, hopes to have its own triple combination of drugs for Aids on sale within two years, which could give it a clear advantage of many of its rivals in the Aids drug market. Page 18

Fresh doubt raised over RTZ-CRA zinc mine
The dispute over development of the A$1.14bn (US$900m) RTZ-CRA Century zinc mine in the Australian state of Queensland has continued, with key tribal leaders claiming local aborigines had voted overwhelmingly against the project, rendering invalid claims by both RTZ-CRA and the Queensland Government that an earlier poll had backed it. Page 22

Zurich stocks reach record close
In Zurich, heavy demand for stocks included in Switzerland's SMI index, particularly those of Nestlé, the international food processing group, and Union Bank of Switzerland, helped drive the index to a record close of 3,773.4, a rise of 40.6. Page 32

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Elf Aquitn Crts	331	-	16
Rises				Eridania BS Ci	762	-	38
Degussa	523.5	+	5.5	Legris	218	-	7.5
MAN Pref	292.5	+	4.5	Sab SA	618	-	34
Mannesmann	534.8	+	5.8	Worms Cie	249	-	6
SAP AG	230	+	4	**TOKYO (Yen)**			
Viag	610.5	+	8.1	**Rises**			
Zanders Feinpp	66	+	3.5	Dowa Fire & M	594	+	18
NEW YORK ($)				Galdon	620	+	22
Rises				Hokkaido Taksh	332	+	13
Boston Sci	43¾	+	3¼	Nagasakiya	987	+	54
Coastcast	22¼	+	2¼	Nissin Elec	834	+	37
Nike B	110⅝	+	6⅝	**Falls**			
Falls				Nippn Light Mtl	595	-	19
Cont Air A	28½	-	2¼	**HONG KONG (HK$)**			
GRC Intl	28½	-	4⅝	**Rises**			
Kohl's	31	-	2⅝	China Elegance	3.525	+	0.85
LONDON (Pence)				HK Ferry	9.25	+	1.15
Rises				Kai Ming Inv	14.7	+	0.7
Arcocat Mining	180	+	14	Shanghai Ind	10.25	+	0.45
Dudley Jenkins	136	+	14	**Falls**			
Wood (JD)	75	+	8	Sinocan	3.7	-	0.3
Falls				Yiu Wing Ind	1.1	-	0.11
Applyard	88	-	9	**BANGKOK (Baht)**			
Brit Biotech	2128	-	135	**Rises**			
Shield Diag	130	-	11	Amarin Prntg	31.5	+	2.75
TORONTO (C$)				Science, E&E	28.75	+	2.5
Rises				Siam Sport Syn	110	+	10
Andres Wines A	12.75	+	0.75	**Falls**			
Falls				B Grimm Eng	26.75	-	2.5
Alllx Bio	19	-	1.8	Siam Makro	134	-	14
Dalrina	13.5	-	2.0	Thai Elec	12	-	3.25
Euro-Nevada	30.75	-	29.25				
MDSI Mobile	13.5	-	1.0				
QLT Photother	21.45	-	1.05				
PARIS (FFr)							
Falls							
Bertrand Faure	162.5	-	6.5				

New York and Toronto prices at 12:30.

Investors snap up DM250m Polish eurobond

Europe and Asia provide strong demand for five-year issue

By Richard Lapper, Capital Markets Editor

European and Asian investors yesterday flocked to buy a eurobond issue by Poland, confirming growing international interest in the eastern European market.

Poland, which is paying 65 basis points (0.65 per cent) more than the German government to borrow about DM250m ($164.4m) over five years, has become increasingly popular among investors since issuing its first eurobond last year.

Its credit rating was raised to investment grade by two agencies this year and its bonds have risen sharply in price, with the yield spread over five-year US Treasury bonds falling from 185 basis points to about 70 basis points.

Mr Roman Schmidt, head of syndicate in Frankfurt for Deutsche Morgan Grenfell, the bank which jointly led the deal along with CS First Boston, the international investment bank, pointed to especially strong interest from German institutions and savings banks, which have not traditionally been buyers of emerging market investments.

"People who have never been active in the market before have bought quite a lot of it," he said. Many of these were investors which would typically prefer weaker-rated rated corporate bonds to higher-yielding sovereign assets.

Just over a third of the issue was placed in Germany, with more than a quarter of that amount likely to find its way into the hands of retail investors. Twenty per cent of the issue was placed in Switzerland, 10 per cent in the Benelux countries and 4 per cent in Austria. UK institutions bought 13 per cent of the offer, with the remainder channelled to institutions and individuals in Japan and elsewhere in Asia.

Mr Simon Meadows, co-head of debt capital markets at CS First Boston, said rating upgrades, Poland's imminent admission to the Organisation for Economic Co-operation and Development and the rarity of central European eurobonds had generated interest and that the issue had been "heavily oversubscribed. We started turning buyers away when the issue was knocking on being twice oversubscribed."

As a result, the bond immediately rose in price after its launch yesterday, with spreads over German bonds falling by two basis points to 63 basis points by the close.

Responding to criticism that pricing on the deal had been too aggressive, Mr Meadows said: "It's come, it's sold, it's tightened – it can't be too expensive, you can't buck the market."

Mr Schmidt said that investors in general were becoming more familiar with eastern Europe. Last month, Romania issued its first eurobond, while Slovenia and Croatia are planning imminent issues.

German bank realigns duties to speed decision making

Deutsche Bank takes 'final step' in revamp

By Andrew Fisher in Frankfurt

Hilmar Kopper: new management policy

Deutsche Bank, Germany's biggest bank, is grouping its worldwide banking activities into four divisions and relieving main board members of day-to-day responsibilities to speed up decision making and strengthen its global presence.

The move, announced yesterday with immediate effect, comes as the bank is expanding aggressively in investment banking and overhauling its domestic activities. Mr Hilmar Kopper, chairman, said the new management policy was "the final step in the restructuring of Deutsche Bank".

Its main effect is to place more responsibility with the new divisional managers. The divisions cover private customers, companies and institutions, investment banking and group services such as personnel and technology. Each has its own operational board, with main board directors now concentrating on strategy, co-ordination and communication.

The size of the group board, headed by Mr Kopper, remains at 12. Below this, the biggest division is investment banking with five divisional heads for equities, global markets, emerging markets, asset management and other activities. Three main board members – Mr Michael Dobson, Mr Ronaldo Schmitz and Mr Rolf Breuer – share strategic responsibility for the division.

The reorganisation of investment banking, undertaken when the bank integrated the previously acquired Morgan Grenfell of the UK at the end of 1994, was a model for the group-wide restructuring. Deutsche Bank is spending heavily on new staff and trading systems and has shifted much decision-making power in investment banking away from Frankfurt.

Analysts said the management streamlining, which follows similar moves at industrial companies such as Daimler-Benz and Volkswagen, was positive and in line with the bank's efforts to become a leading global investment bank and improve its return on equity.

The management streamlining removes the overlapping regional and operational functions of board members. However, the Asia/Pacific and North American regions have directors with overall responsibility and regional chief executives.

Mr Michael Klein, banking analyst at Delbrück, the Frankfurt bank, said the refocusing was "logical and consistent". It would give Deutsche Bank a clearer management structure than other big German banks. A group executive committee of main board members and divisional managers will provide a forum for discussion of strategic and operational matters.

Mr Stephen Lewis, European banking analyst at Union Bank of Switzerland in London, said the changes made good sense but did not solve the bank's problems. "If these changes can make them more profit-aware in the retail business and in investment banking, then they will go a long way towards solving Deutsche Bank's problem of sub-par return on equity."

The bank has set itself a target for return on equity of 25 per cent before tax. Last year, it reached 13.7 per cent. Mr Kopper said in May that its equity return and cost/earnings ratio were unsatisfactory.

MTV to launch interactive TV channel for PC pop fans

By Christopher Parkes in Los Angeles

MTV, the pop music network owned by Viacom, will next month launch a 24-hour cable television channel which offers simultaneous viewing on personal computers of conventional music videos and worldwide web pages containing related data.

The channel, M2: Music Television, is an important endorsement by a leading media group of efforts led by the computer industry to advance the convergence of TV and interactive PC technologies.

"Just as MTV revolutionised television for a generation, M2 will take music television into a new era," said Mr Sumner Redstone, Viacom's chairman.

M2 represents one of the first main applications for Intercast circuitry introduced last year by Intel, the leading US chipmaker.

Intercast is a plug-in board which can receive broadcast or cable TV signals together with web pages which are piped in via the vertical blanking interval – the unused portion of a TV signal which is visible in still photographs as a dark horizontal strip.

This enables web data to be inserted into TV transmissions at up to four times the speed of the fastest available PC modem. The board might add about $200 to the price of a conventional PC, Intel said. "By Christmas there will be a pretty reasonable volume of machines sold, and it will become a mass market item in 1997," it said.

Other entertainment groups planning to use Intercast technology include NBC, which aims to demonstrate its capabilities during the Atlanta Olympic games next month, and Turner Broadcasting, which has plans for its Cable News Network.

The launch of the M2 on August 1, the 15th anniversary of the internationally-successful MTV network, is expected to be preceded by the release next week of the first Pentium Intercast computers by Compaq. Industry experts expect other manufacturers to follow suit quickly.

M2 has signed distribution deals with satellite broadcasters with access to only about 1m homes, although a sales campaign aimed at cable operators with 62m connections will start next week.

Industry observers said Viacom's move aimed to target young PC users who watch little TV, establish a prior claim on new cable capacity and develop expertise ahead of competitors.

Kirch may buy BSkyB stake

By Raymond Snoddy in London

Kirch Gruppe, the German media company, is interested in buying a stake in British Sky Broadcasting to help cement the new relationship between the two satellite broadcasters.

The aspiration that Munich-based Kirch will take a stake in BSkyB forms part of the agreements on digital television signed by the two this month.

On Monday, BSkyB said it intended to take a stake of up to 49 per cent in DF1, the Kirch digital satellite TV venture that plans to launch 17 channels for the German market on July 28.

BSkyB has undertaken to help Kirch take a stake, although currently this is only a possibility because there are no obvious stakes in BSkyB available.

Kirch could, however, buy shares in the market or buy a stake if there was an issue of shares to fund the launch of digital satellite services in the UK.

BSkyB, in which Mr Rupert Murdoch's News Corporation has a 40 per cent stake, has said it planned to launch digital satellite TV in the UK in the last quarter of 1997. Specifications went out last week to manufacturers of digital decoders with the message that 1m would be needed in the shops by September 1997.

By autumn 1997, Kirch should have more than 12 months' experience in launching digital satellite services. In Italy, Kirch has a 32 per cent stake in Telepieu which has launched a number of digital channels. It launches its football service, including all Italian *Serie A* games on a pay-per-view basis, in September.

BSkyB, which plans to launch digital TV with at least 200 channels in the UK, is likely to try to include a pay-per-view service for all English Premier League football matches if terms can be agreed with the Football League.

After the collapse of the proposed alliance of Canal Plus of France, Germany's Bertelsmann and BSkyB, Mr Sam Chisholm, chief executive of BSkyB, and Mr Gottfried Zmeck, chief executive of DF1, found they were "like-minded" on the launch of digital satellite TV in Europe. Above all, both wanted to stop talking about grand alliances and "just do it".

BSkyB will pay no money for its DF1 stake but will help fund the venture. It could invest about £200m over the next few years.

Barry Riley

The bulls spell out 'q' for quibble

Tobin's ratio q says something fundamental about the value of equities. It has departed from its equilibrium value of near unity (seen in the UK in the late 1980s) into expensive territory, but the unwelcome message is being disputed.

The bulls' arguments are well worth exploring, although I certainly do not wish to join the school of bubble market apologists, of the kind that "proved" in 1989 that the Tokyo stock market was still cheap after adjustment for high growth, undeclared earnings and cross shareholdings.

Essentially, the problem is that q for the US equity market, at least as calculated by the Federal Reserve, has soared to a historically very high value of about 1.7.

The highest previous level of about 1.2 in the late 1960s reflected a previous phase of very high prices on Wall Street when the "Nifty Fifty" ruled the roost.

But for most of the 1980s q bumped along between 0.4 and 0.6. It took the protracted bull market of the 1990s to take it into previously unexplored territory. Does it encapsulate the loss of value?

To recap, q compares stock market capitalisation with the replacement cost of a company's assets. This may or may not be helpful at the individual stock level, but when averaged over all listed companies it ought to tell us something general about the level of the stock market.

At a simple level, a high value of q is positive for the economy. It implies that companies are worth more than their assets. They therefore have an incentive to invest in expansion. The low level of q that applied in the late 1970s and most of the 1980s sent the opposite signal. Corporate profitability was not strong enough to encourage capital investment.

As far as investors are concerned, however, this can work the other way around. Weak stock market valuations at a period of low growth in capacity may imply rising profitability in future and good prospects for share price growth. On the other hand, a high q ratio could encourage excessive capacity enlargement and weak share prices in due course.

The ratio q compares stock market capitalisation with the replacement cost of a company's assets

However, there is a puzzle in that the rise in q does not seem to have triggered a capital investment boom – certainly not in the UK, where the ratio is about 1.3, according to a recent study by the Bank of England. In the US, companies have been very keen to repurchase their shares – surely not logical behaviour if the available cash would be worth 1.7 times as much if invested in productive assets.

Some analysts, such as Jeffrey Weingarten of Goldman Sachs, have pointed out that the Fed's calculations seem to have underestimated the replacement value of land by a large degree, and adjusting for this would reduce q to about 1.4 – still high, but historically not quite so anomalous.

Otherwise, high levels of profitability, of the kind seen recently, could justify an elevated q. Jeffrey Applegate of Lehman Brothers says the profitability-adjusted ratio is now 1.3, and on this basis was actually higher back in the 1960s. But this leaves open the question of whether corporate earnings will soon revert to a lower historical mean.

There remain more technical arguments, such as that an increasing amount of corporate investment is in software, systems and brands, and is expensed rather than capitalised. This may be distorting downwards the asset denominator and producing a deceptively high q.

Finally, even if q is sometimes too high (or too low) the historical evidence is that it is not corrected over a single business cycle but may persist for periods of 10 to 15 years. The current high ratio is clearly influenced by the much improved return on equity being achieved both in the US and the UK compared with the early 1980s (though it is no higher than achieved in the 1960s).

Perhaps the wisest conclusion is the one put forward by the London investment boutique Marathon Asset Management. US companies do not seem to be investing as though they believe high profits will persist. That self-restraint, or maybe lack of confidence, may paradoxically be the best reason for hoping that the stock market's good times will continue to roll.

Volvo keen to raise stake in NedCar to 50%

By Greg McIvor in Stockholm and Gordon Cramb in Amsterdam

Volvo of Sweden said yesterday it was keen to raise its stake in NedCar, a three-way joint venture with the Dutch government and Mitsubishi Motors, as part of its plan to expand its Netherlands-based car operations.

It said it wanted to exercise an option to purchase half of the Dutch government's one-third holding in NedCar. Mitsubishi retains a similar option, which if taken would boost each company's stake to 50 per cent.

Mr Ingmar Hesslefors, company spokesman, said Volvo was keen for negotiations to start sooner rather than later, but that the "ball was in the Dutch government's court".

He added: "We know that the NedCar operation will be a prosperous one in the future and from that background we are more interested."

The put and call options allow the Dutch government to sell its one-third stake to the two partners at the end of 1998, while at that time MMC and Volvo can demand to take over the state holding.

Any earlier deal would have to be by mutual agreement, NedCar said yesterday.

The company last week announced a slide into a Fl 169m (US$99m) net loss from operations last year after a modest Fl 1.5m profit in 1994.

The deficit, struck before extraordinary gains which reduced the attributable loss to Fl 33m, was attributed to adverse currency movements and bringing new models on stream. Revenues rose 2 per cent to Fl 2.11bn.

NedCar has accumulated losses to Volvo alone of almost SKr1.5bn (US$224m) since 1993 and this month came under a new streamlined management, led by Mr Christian Dewulf, formerly managing director of Volvo's Ghent production base in Belgium.

The management overhaul reflects NedCar's emergence as a pure production unit after a five-year transition. Over that period it shed the components and marketing divisions which were part of its former existence as a tie-up between Volvo and Daf, the defunct Dutch carmaker.

Volvo and Mitsubishi have invested around SKr12bn in NedCar's plant in Born, near Maastricht. The new S40 and V40 models, which are to replace Volvo's ageing 400 series, have consumed SKr3bn in investment capital.

However, Volvo said S40 and V40 production would be in profit by the end of this year. It expected to produce 65,000 of the new models in 1996 and planned to expand capacity from 100,000 to 140,000 vehicles as it introduced the range in east Asia.

NedCar, which also makes the Mitsubishi Carisma, said yesterday a larger volume of the more lucrative new models would be produced this year but it would "not yet be on a normal capacity level". The plant has a current maximum output of 200,000 vehicles a year.

Investment marriage made in the Bahamas

Harvard and Stratton create a $1.4bn vehicle targeting opportunities in eastern Europe

Mr Viktor Kožený and Mr Michael Dingman have already made a splash investing in eastern Europe's emerging markets.

Their alliance last October, when Mr Dingman's Stratton investment company took stakes in leading Czech companies alongside Mr Kožený's Harvard group, reshaped the Prague stock market.

Now they have gone one better by merging the investment interests of Harvard and Stratton into a $1.4bn venture targeting new opportunities in the region. The new vehicle, Daventree, will be one of the largest private investors in eastern Europe, with the two companies owning 50 per cent each.

Daventree, like Stratton, is the product of a meeting of minds on a Caribbean beachfront. Mr Kožený, 35, has lived in the Bahamas since 1993, when he left the Czech Republic complaining of media hounding in a blackmail case he had brought against a former secret service agent. Mr Dingman, in his mid-60s, is a tax exile there from the US.

Daventree appears to be Stratton Mark II, this time with Mr Kožený fully on board.

Its goals, as outlined by Mr Dingman, are similar – to take stakes in asset-rich companies in the region as a medium-term investor, restructure them and then sell either to strategic investors, or via a flotation.

It will seek stakes of 50.1 per cent in its target companies so that it has the necessary control to carry out its strategy. "It's just impossible to have less than that and wield the kind of influence that can move the companies in the right direction," he said.

Viktor Kožený (left) and Michael Dingman: Czech analysts yet to be convinced of alliance's motives

Stratton has already set out on this course in the Czech Republic, although in some cases it has not been able to acquire a controlling stake. Perhaps because of this its results so far have been mixed, although it insists its early exit from two of its prime Czech investments are entirely in keeping with its aim of working only with management and other shareholders who subscribe to its goals.

Harvard's original alliance with Stratton unleashed a consolidation of ownership of privatised Czech industry that continues today and that many regard as important and inevitable. Other fund managers quickly joined the bandwagon.

The process was tilted in favour of big, secretive investors, aided immeasurably by weak market rules. The country's millions of small shareholders and many foreign portfolio managers lost out and became deeply disillusioned.

Harvard shareholders have yet to reap the benefits of the alliance with Stratton.

Since October, Harvard's share price has fallen 50 per cent and its net asset value by even more. Mr Kožený, once a proselytiser for the market, has not explained why this should be so, and has not made public the composition of the holding company's portfolio since teaming up with Mr Dingman.

Mr Kožený is thought to control some 30 per cent of Harvard, and runs the company as a personal fiefdom. He has enough shareholder support to push through any changes he wishes – such as last month's merger of six investment funds to create the holding company – without bringing minority investors on board.

He is not the only Czech fund manager to act in this way. As a result, growing numbers of foreign fund managers are bypassing Prague in favour of more transparent markets, such as Warsaw and Budapest, which make up in effective regulation what they lack in size.

But Mr Kožený's lack of communication with investors has damaged Harvard's credibility. "The market has lost confidence in Harvard and it will be very difficult to rebuild it," says Mr Vladimír Jaroš, head of research at Wood & Co, a Prague stockbroker.

Hence the scepticism that greeted Daventree among Czech analysts, who have yet to be convinced of the real motives behind the Dingman/Kožený alliance. "I have doubts about the sincerity of Harvard and Stratton in turning [their investments] around," says Mr Juraj Kovac, of CS First Boston.

Can Daventree change perceptions? It owns all the assets of the Harvard holding company and of Stratton, ranging from stakes in key Czech companies to a controlling interest in a Russian paper mill, an oil and gas concession in the United Arab Emirates, and cash, and has a net worth of $1.4bn.

"We've already got a fairly respectable war chest available to make acquisitions which will be starting fairly soon," Mr Arbess said. Daventree, registered in Cyprus for tax reasons, will be listed in Prague and ultimately in London and New York.

Mr Dingman, who has made a personal fortune turning US companies round, said he was "awed by the opportunities and awed by the job" of doing so in eastern Europe. "It's a diabolical combination," he said.

Now that Harvard and Stratton have turned their engagement into a marriage, Harvard shareholders will be hoping it is one made in heaven.

Vincent Boland

Europe Online seeks court protection

By Neil Buckley in Brussels

Europe Online, the European Internet service provider whose largest shareholder has withdrawn financing, was yesterday granted an application to go into court administration by the Luxembourg Commercial Court.

The move will protect the Luxembourg-based company from creditors and bankruptcy orders while it continues negotiations with potential investors. It follows the decision this weekend by Burda, the German publisher which controls 33 per cent of Europe Online, to withdraw funding.

"We wanted to be in a position to conduct negotiations in a fair and orderly way," said Mr Jürgen Becker, Europe Online chief executive.

The company is in talks with "half-a-dozen" potential investors, thought to include CompuServe, the US online service, ITT, the US leisure group, and at least one European company.

Mr Becker believed an agreement with new investors was possible "in four to eight weeks". The company would pursue all options, including one investor taking a large stake, or several investors taking smaller shares. He said it was a matter for Burda whether it decided to sell its stake in the company to new investors, or whether new partners would expand Europe Online's existing shareholder base.

"At the end of the whole process, it is very likely we will have a different shareholder structure," Mr Becker said.

Europe Online, in which Pearson, owner of the Financial Times, has a stake, would in the meantime operate as normal. The application for court administration, Mr Becker said, was made after shareholders "failed to agree on a uniform strategy". Burda wants to concentrate on the German market – which accounts for 70 per cent of Europe Online's 25,000 subscribers – and on content provision.

Under the Luxembourg administration procedure, Judge Maryse Welter has been appointed to oversee the company's affairs, with two experts to investigate the financial situation and prepare a report by December 1.

Europe Online was founded in 1994 to offer a European-language alternative to US services such as CompuServe and America Online. But it was not launched until December last year following several postponements and shareholder disagreements over strategy.

NEWS DIGEST

Belgian treasury in debt shake-up

The Belgian treasury is to issue treasury bills in a variety of currencies from today in an attempt to manage its $9.6bn worth of foreign-currency short-term debt more efficiently. The creation of multi-currency Belgian treasury bills (BTBs) will provide a cheaper and more flexible alternative to the interbank market where the treasury rolls over much of this debt, which represents one-third of Belgium's foreign-currency debt.

Mr Baudouin Richard, a senior Belgian treasury official, said yesterday the treasury would make "some savings" by issuing BTBs. It tends to pay the London interbank bid rate (Libid) plus 3 or 4 basis points in the interbank market, but can expect to achieve Libid minus 2 to 5 basis points by issuing BTBs. The close resemblance between BTBs, which will have a life of up to one year, and euro-commercial paper (ECP) will allow Belgium to tap the strong demand from European and Asian investors for this product.

Goldman Sachs, which arranged the BTB programme, said the ECP market was suffering from a shortage of high-quality sovereign issuance. With about $1bn worth of debt maturing every month, the minimum outstanding issuance of BTBs is likely to be $500m. Belgium's dollar and guilder ECP programmes will be suspended from today in order to create greater liquidity in the BTBs.

The treasury, which has built up a larger domestic treasury bill market, will initially issue the BTBs through taps but plans to hold auctions eventually. It will also buy back BTBs, which are most likely to be issued in D-Marks, Swiss francs, dollars and Dutch guilders. Deutsche Morgan Grenfell, Dresdner Bank-Kleinwort Benson, Goldman Sachs, Lehman Brothers and SBC Warburg have been appointed as dealers on the programme. *Antonia Sharpe, London*

Elektrowatt raises SFr500m

Elektrowatt, the Swiss industrial conglomerate, has raised an estimated SFr500m ($395m) from the sale of its various electronics businesses. The company said yesterday it had sold the last two companies in its electronics division. Melcher, a Swiss company which produces power supply units for electronic circuits, and Sandwell, a Canadian engineering company, have both been sold to management buy-outs.

Melcher has annual sales of SFr50m and employs 210 staff, and Sandwell has annual sales of SFr106m and employs 1,030 staff. On Monday, Elektrowatt sold its Schaffner Elektronik to local management in a SFr159m MBO. Elektrowatt, which is retaining a minority stake in Melcher, has not disclosed the price of the latest disposals, but analysts have estimated it has raised around SFr500m from sales in recent months.

Elektrowatt's sale of its electronics interests follows a decision to concentrate on its core businesses of electric power, security systems and building controls. SBC Equity Partners, a subsidiary of the SBC Warburg division of SBC, arranged the Melcher MBO. *William Hall, Zurich*

Sydkraft sees profits unchanged

Sydkraft, the Swedish energy group, reaffirmed its forecast that 1996 profit after financial items will be broadly unchanged from the SKr2.45bn ($365m) it reported in 1995. "Our profit will be at the same level as last year," the company said. The statement followed a profits warning from Graningeverken, Sydkraft's 20 per cent-owned energy and forestry company. It said that its 1996 profit after financial items will be considerably lower than the SKr630m in 1995 following drought this year.

Sydkraft said that in its interim report in May, Graninge had already warned its profits would be lower because of lack of water resources and some problems in its forestry operations. "We now hope it will not be more than earlier stated."

It said its stored water levels were 30 per cent below normal despite recent rain. It added that the company would give more precise information on the matter in connection with the company's half-year report on August 29. Hydroelectricity accounts for 30 per cent of Sydkraft's power production, compared with 100 per cent at Graninge. *AFX News, Stockholm*

■ Esec Holding, a Swiss maker of assembly machines and automated assembly lines for the semiconductor industry, is to buy Zevatech, a private US silicon packaging group. The Swiss company said that it was buying 100 per cent of Zevatech, based in Morrisville, North Carolina, from majority holder Emesco, a Luxembourg investment group. *Reuter, Cham, Switzerland*

Docks de France rejects Auchan bid

By David Owen in Paris

Docks de France, the French retail group, last night formally rejected a FFr17bn ($3.2bn) takeover bid from Auchan, a rival French retailer, saying it was not in the company's interests.

The group's board voted unanimously against the FFr1,250 a share offer and backed Mr Michel Deroy, chairman, in his aim to look for "alternative solutions capable of reconciling the interests of the company and its shareholders".

Tesco, the UK supermarket group, is understood to be considering a white-knight intervention in the battle, in a move that could cost it up to £2.5bn ($3.9bn). But Docks de France, best known for controlling the Mammouth supermarket chain, yesterday denied reports that Tesco was studying the possibility of making a "friendly" FFr20bn bid.

The Docks de France board recommended that shareholders, who have until July 30 to make up their minds on Auchan's offer, wait before making their decision.

The statement came after the Paris stock market closed with Docks de France shares unchanged at FFr1,222, comfortably below the value of the bid.

Hostile takeovers are rare in France, where discreet behind-the-scenes negotiation tends to precede offers; the last notable hostile bids took place at the end of the 1980s. However, new legislation on large retail developments is making domestic expansion by large French retailers increasingly difficult.

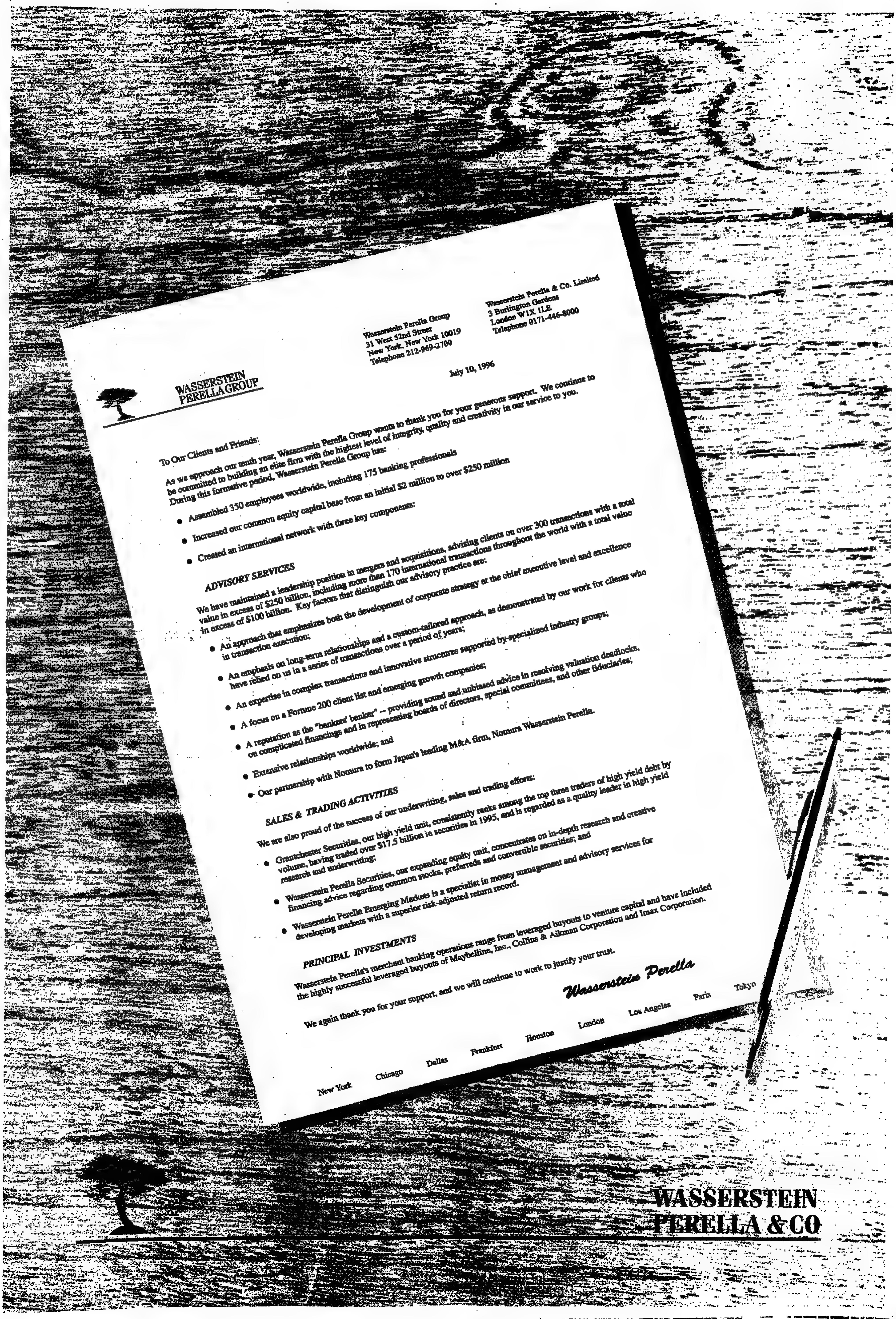
Mr Deroy said Auchan's decision to launch its bid followed an initial affirmation that it was only interested in a minority stake in the company.

He said the development of Docks de France had been founded on "values of openness, transparency and decentralisation". This culture had enabled the group to record "extremely positive" results, enabling it to pursue its development in France and abroad. He said the group's investment capacity currently stood at more than FFr3.5bn.

Auchan, a secretive, privately-held group, last week disclosed that net profits fell from FFr804m in 1994 to FFr457m in 1995 on sales ahead 6.1 per cent at FFr64.3bn. It said if its bid were successful, the combined group would have an annual turnover of FFr110bn.

Lex, Page 12

CONTRACTS & TENDERS



WASSERSTEIN PERELLA GROUP

Wasserstein Perella Group
31 West 52nd Street
New York, New York 10019
Telephone 212-969-2700

Wasserstein Perella & Co. Limited
3 Burlington Gardens
London W1X 1LE
Telephone 0171-446-8000

July 10, 1996

To Our Clients and Friends:

As we approach our tenth year, Wasserstein Perella Group wants to thank you for your generous support. We continue to be committed to building an elite firm with the highest level of integrity, quality and creativity in our service to you. During this formative period, Wasserstein Perella Group has:

- Assembled 350 employees worldwide, including 175 banking professionals
- Increased our common equity capital base from an initial $2 million to over $250 million
- Created an international network with three key components:

ADVISORY SERVICES

We have maintained a leadership position in mergers and acquisitions, advising clients on over 300 transactions with a total value in excess of $250 billion, including more than 170 international transactions throughout the world with a total value in excess of $100 billion. Key factors that distinguish our advisory practice are:

- An approach that emphasizes both the development of corporate strategy at the chief executive level and excellence in transaction execution;
- An emphasis on long-term relationships and a custom-tailored approach, as demonstrated by our work for clients who have relied on us in a series of transactions over a period of years;
- An expertise in complex transactions and innovative structures supported by specialized industry groups;
- A focus on a Fortune 200 client list and emerging growth companies;
- A reputation as the "bankers' banker" -- providing sound and unbiased advice in resolving valuation deadlocks, on complicated financings and in representing boards of directors, special committees, and other fiduciaries;
- Extensive relationships worldwide; and
- Our partnership with Nomura to form Japan's leading M&A firm, Nomura Wasserstein Perella.

SALES & TRADING ACTIVITIES

We are also proud of the success of our underwriting, sales and trading efforts:

- Grantchester Securities, our high yield unit, consistently ranks among the top three traders of high yield debt by volume, having traded over $17.5 billion in securities in 1995, and is regarded as a quality leader in high yield research and underwriting;
- Wasserstein Perella Securities, our expanding equity unit, concentrates on in-depth research and creative financing advice regarding common stocks, preferreds and convertible securities; and
- Wasserstein Perella Emerging Markets is a specialist in money management and advisory services for developing markets with a superior risk-adjusted return record.

PRINCIPAL INVESTMENTS

Wasserstein Perella's merchant banking operations range from leveraged buyouts to venture capital and have included the highly successful leveraged buyouts of Maybelline, Inc., Collins & Aikman Corporation and Imax Corporation.

We again thank you for your support, and we will continue to work to justify your trust.

Wasserstein Perella

New York Chicago Dallas Frankfurt Houston London Los Angeles Paris Tokyo

Wallace sets out to streamline Mazda

The carmaker's new president aims to rationalise without stifling creativity, reports Haig Simonian

There is a daily dispute in the motor industry between product developers and financial administrators. While the "petrolheads" clamour for new products, the "suits" brandish their slide rules to explain why not.

Keeping the two in reasonable check is how most carmakers come up with innovative products and still make money. Rule by the beancounter often results in bland but on-budget cars which struggle to drive out of the showrooms. But when the boffins take control, the result is Mazda.

Japan's fifth-largest carmaker has become a byword for innovation run wild. Bolstered by an expansionist strategy in the bubble economy of the early 1990s, Mazda's managers sanctioned new factories, models and dealer chains as if demand would rise forever.

Instead, the Japanese market turned sour, the yen soared in value, blunting export competitiveness, and interest on the debt amassed to fund growth threatened to exceed the money earned on the declining numbers of Mazdas sold. Losses mounted, culminating in the decision earlier this year by Ford, a long-standing minority shareholder, to raise its stake to 33.4 per cent and take management control.

Mr Henry Wallace, Mazda's new president, argues his first task is to reimpose greater control on Mazda's imaginative but financially undisciplined engineers. In his first interview with European motoring journalists, he set out a twin strategy of financial rigour and closer integration with Ford to restore Mazda's muscle as the world's twelfth-biggest carmarker.

Financially, his plans continue the cost-cutting introduced by his predecessor, Mr Yoshihiro Wada, a former executive from Sumitomo Bank, who became president in 1992. Under Mr Wada, operating expenditure was reduced by around $2bn. Mazda's domestic workforce was trimmed, although mass redundancies were avoided through natural wastage. Staff numbers in Japan should fall by a further 1,000 to 25,000 by the end of this year.

Such measures helped Mazda restore profitability at the operating level in the second half of last year. Thanks to sales of financial securities and property, the company posted a tiny Y35m ($315,300) profit in the 1995 financial year, ending on March 31.

Mr Wallace says Mazda will probably generate further earnings from selling securities this year. That is partly to build up reserves ahead of some big debt maturities in 1997 and 1998. Overall borrowings should fall to about $4bn by the end of this year from $5.8bn five years ago, he estimates. However, Mr Wallace denies asset sales will be essential to meet its forecast of Y20bn in profits this year.

Although Mazda is now making money at the operating level, Mr Wallace says it must continue to cut costs. That means disciplining its inventive engineers to create a more coherent model range. Mr Wallace argues Mazda must slim down to about seven distinct passenger cars from its present range of about 20.

That would remove many overlaps in the current confusing range, which includes four main vehicles (the 121, 323, 626 and 929) and the additional, entirely separate, Xedos brand comprising two up-market executive models. Mazda also makes two sports coupés, a convertible and a number of multipurpose vehicles and sports utilities.

Such proliferation confused customers and even dealers, says Mr Wallace. Moreover, none of the models was produced in sufficient volumes to justify development and production engineering investment. "It is clear we've got far too many model lines and they're all in small volumes", admits Mr Wallace.

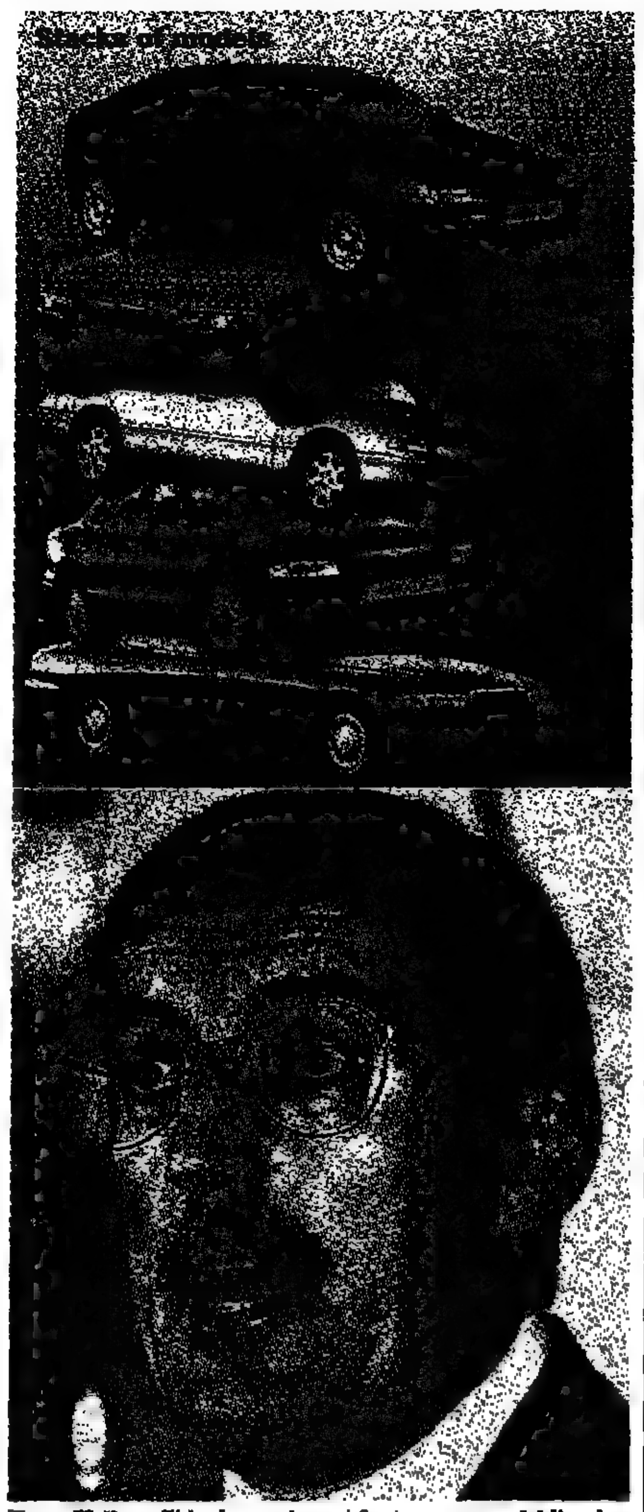
The future range would include three vehicles broadly similar in size to Ford's current European Fiesta, Escort and Mondeo models, as well as a larger executive vehicle, which Mr Wallace reckons is not strictly necessary, but desirable competitively. Mazda should also make a sports utility and a multipurpose "people carrier", as well as one "image model" such as a sporty convertible.

The obvious way to simplify the line-up would be to co-ordinate future model programmes more closely with Ford. The US company is in the throes of an extremely ambitious reorganisation strategy to base its own international product development efforts on just five "vehicle centres" that will meet all the group's future needs.

Mr Wallace declines to comment on how closely Mazda should become enmeshed in the "Ford 2000" reorganisation process. Sharing the basic structures of future vehicles is "a major area we need to look at in terms of synergies," he notes. However, he says detailed discussion of rationalisation is still "in the air right now".

The trick will be to integrate Mazda's product development efforts much more closely, without compromising its individuality. Mr Wallace admitted Mazda's reputation for innovative engineering and "interesting" cars was one of its biggest assets. Mazda may even develop some models, such as the small front-wheel-drive cars which are its forte, for the entire Ford group.

Although the development of the next generation of Mazdas is too advanced to be affected by the closer embrace of its American parent, Mr Wallace hinted that the next generation but one would probably have more than a trace of Ford under its skin.



Henry Wallace: 'It is clear we've got far too many model lines' AP

Review of Lloyds' 14% holding in Macquarie 'inevitable'

By George Graham, Banking Correspondent

Macquarie Bank, Australia's leading privately-held merchant bank, believes a review of Lloyds TSB's 14 per cent stake is "inevitable". "It's not a strategic stake," said Mr David Moss, Macquarie's chief executive.

But Mr Moss said it was still too early to say when the UK bank might reduce or dispose of its holding, which has been the subject of speculation ahead of Macquarie's imminent stock exchange listing.

Lloyds acquired its stake in Macquarie, now worth around A$140m (US$111m), through its merger last year with TSB, which owned the UK's Hill Samuel investment bank.

The belief that Lloyds was likely to sell its stake has not been diminished by the alacrity with which it has shed Hill Samuel's corporate finance and project finance divisions, and merged other units such as asset management into its own operations.

On a visit to Australia last month, Sir Brian Pitman, Lloyds' chief executive, said he had not studied the Macquarie stake at all or discussed it with anyone. Mr David Clarke, Macquarie's executive chairman, is understood to have been assured by Lloyds when he visited London recently that the stake was not for sale.

But Mr Moss's comments in Sydney yesterday reflect a widespread belief that Lloyds will sell once the market has settled down after the listing, expected later this month.

Lloyds and Macquarie have received differing legal advice on whether changes to the latter's articles, to be ratified this month, will invalidate an 1988 agreement requiring Lloyds to give Macquarie 60 days to find a friendly buyer if it decides to sell.

SAW Pipes delays $60m GDR issue

By Mark Nicholson in New Delhi

SAW Pipes, the Indian pipeline engineering group, has postponed a $60m Global Depositary Receipt (GDR) issue, which had been due for pricing this week, following a fall of more than 10 per cent in its share price last week.

Shares in the company, which manufactures submerged arc-welded pipes for the oil industry, were hit along with other oil-related stocks by the government's decision last week to raise administered petrol and diesel prices by between 15 and 25 per cent.

Bankers in Bombay said SAW's postponement, among the first of a spate of new Indian euro-issues either already being publicly marketed or due in the next few months, highlighted the potential vulnerability of some smaller or second-rank companies to the vagaries of the Indian equity market and, particularly, its reaction to the United Front government's first budget, due on July 22.

SAW's shares fell from Rs133 in Bombay at Monday's opening last week to Rs117 by Wednesday and were yesterday trading at Rs107. The sharp fall persuaded SAW to defer the issue, lead-managed by Paribas. It was the company's third attempt to raise money through a euro-issue, proceeds from which were to finance a second pipe-building plant in Goa.

SAW meets 85 per cent of India's demand for submerged arc-welded pipes from a 250,000 tonnes-a-year plant 100km north of New Delhi. The planned 500,000 tonnes-a-year plant would produce for export. Mr Gian Bansel, SAW vice-president, said the company would seek to relaunch the issue "on short notice" on a recovery in SAW's share price.

More than 36 Indian companies have announced plans to launch GDR or convertible bond issues over the next few months, which could raise a total of between $1bn and $2bn.

Hino to make truck engines in China

By William Dawkins in Tokyo

Hino Motors, the truck-making affiliate of Toyota, Japan's largest carmaker, yesterday announced plans to start producing truck engines through a joint venture in China from 1998.

The deal is likely to make Hino the first foreign truck engine producer in China, and comes just two months after Toyota received Chinese government approval to produce car engines in the northern city of Tianjin, a foothold that the Japanese group had been seeking for many years.

It offers access to a potentially lucrative market for an estimated 300,000 heavy duty trucks annually – roughly the same level of demand as in Japan, but with much higher growth prospects.

Hino, which is 11 per cent owned by Toyota, recently completed a feasibility study with its potential local partner, the state-owned China National Heavy Duty Truck Corporation, and is now awaiting clearance from the Beijing government. The Japanese company's initial investment will be around Y10bn (US$90m). Production will be at the corporation's partner company, Hangzhou Automotive Engine Plant, which is based in the eastern Chinese city of the same name.

The alliance could develop into full joint production of trucks, a Hino official said.

Int'l Paper upbeat despite second-term fall

By Maggie Urry in New York

International Paper, the largest manufacturer of paper in the world, gave a more optimistic assessment of the outlook for the industry while announcing a fall in earnings for its second quarter.

Mr John Dillon, the US company's new chairman and chief executive officer, said that demand was improving "across all major product lines" while "the price erosion that we have seen for the past year is moderating".

Mr Dillon said that rises in the price of pulp last month and this "are encouraging, as pulp is usually a leading indication of general price activity in our industry".

Second-quarter net income tumbled from $316m in the same period of 1995 to $99m, or from $1.25 a share to 33 cents a share.

The second-quarter result was below the first quarter's net income of $124m, or 46 cents, before a restructuring charge.

However, it exceeded analysts' forecasts, which centred on 25 cents a share, according to First Call, a research firm. The shares rose $1⅛ to $38⅝ in morning trading.

Group sales were unchanged at $5.1bn. Sales in the printing papers division fell 11 per cent to $1.43bn, while packaging revenues rose 11 per cent to $1.29bn.

The results set the scene for the industry, with many forest products companies expected to report earnings in the next few days. Paper companies enjoyed a bumper year in 1995, with IP trebling net profits, as prices soared on higher demand and supply shortages.

During 1995, customers stocked up in an attempt to beat rising prices, which resulted in excess inventories and a sudden slump in demand late in the year. That weighed on prices and by the turn of the year paper companies were warning that profits would fall in the early part of this year.

However, analysts expected a pick-up in demand in the second half, partly because of the Olympic Games and the US presidential election, both events which increase paper consumption. IP is a sponsor of the Olympics.

Mr Dillon said that profits from IP's printing papers division were lower in the second quarter than the first, mainly due to weak pulp and European paper markets. However, demand for those grades "strengthened considerably during the quarter and pulp and US paper prices began to recover", Mr Dillon said.

Packaging profits also fell in the quarter, but demand was improving, Mr Dillon said. Meanwhile, the strength of the housing market benefited the group's building materials and wood products activities.

Odebrecht goes home for further growth

Brazil's economic reforms are creating fresh opportunities, says Jonathan Wheatley

After more than a decade of aggressive expansion overseas, Odebrecht, one of Brazil's biggest industrial groups, is turning its attention to the home market. The attraction is the same that led it to look abroad: quality of government.

"We haven't paid so much attention to Brazil since the government lost its grip on the economy in the mid 1980s," says Mr Ruy Sampaio, financial director. "Our business depends on political, economic and legal stability, which has been lacking. Now it is coming back."

For the civil construction industry, Odebrecht's core activity, government excesses were the source of many grandiose projects. But after spending soared out of control, taking inflation with it, the supply of public contracts dried up.

Thanks to the reformist government of President Fernando Henrique Cardoso, says Mr Sampaio, Odebrecht's home market is growing again.

Inflation is now under control and a law passed last year allowing the private sector to manage concessions in parts of Brazil's creaking infrastructure offers attractive opportunities.

Odebrecht already has concessions to operate a highway linking Rio de Janeiro to the south of Minas Gerais state, a municipal sewage system in São Paulo state and a hydro-electric dam.

The company has also joined local bank Unibanco and newspaper publisher Folha de São Paulo to prepare a bid to operate cellular telephone services; bidding is expected to open at the beginning of next year.

The concessions law is unlikely to return investment to the level of the 1970s and the volume of concessions awarded will be slow to grow. Nevertheless, Mr Sampaio is optimistic.

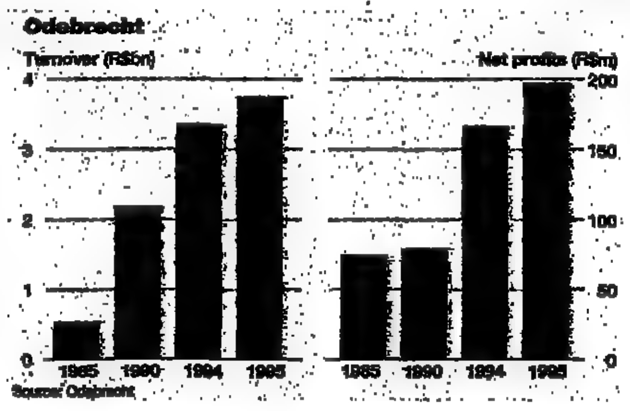
"If the economic reform plan continues on track, in five years the government will again be a major source of contracts," he says. He expects growth to be stimulated by the arrival of project finance.

Brazil's fragile stability means confidence is still too low for investors to trust in the returns from operating public concessions, but Odebrecht hopes the new law will provide a sufficient legal basis to convince investors that earnings are guaranteed.

Odebrecht's last big new overseas project for the foreseeable future is a $5.5bn contract won in June by subsidiary CBPO, as part of a consortium with Swiss group Asea Brown Boveri, to build a hydroelectric power station in Malaysia.

The deal ends a cycle of expansion that has taken Odebrecht companies into 21 countries outside Brazil. Overseas operations accounted for 38 per cent of last year's turnover of R$3.7bn (about US$3.7bn).

Big contracts include metro systems in Miami and Lisbon, a hydroelectric power station in Laos, a dam in Botswana, irrigation projects in Peru and Ecuador and floating platforms for gas extraction in the North Sea.



The group began in Salvador, capital of the north-eastern state of Bahia, as a regional construction company founded in 1945 by Norberto Odebrecht, an engineer of German descent whose father helped pioneer the use of reinforced concrete in Brazil.

Early success in Bahia was followed by a string of contracts for the government's north-eastern development agency, known as Sudena, and expansion into the south, with large public sector contracts including Rio de Janeiro's international airport.

Mr Sampaio says Odebrecht has grown "by combining the search for commercial advantage with its commitment to the development of Bahia".

Critics say it has also grown by less orthodox means. The group's name has been linked to a series of highly publicised corruption scandals, including one that ended in the downfall of former President Fernando Collor.

Odebrecht has always stoutly denied impropriety, but its image has suffered. Partly to correct the damage, it invests heavily in high-profile cultural and educational projects in Bahia and throughout Brazil.

Mr Sampaio says it was Odebrecht's "Bahian vocation" that led it to diversify into petrochemicals in the 1970s. A government contract to build Bahia's petrochemicals complex was followed by acquisitions in the sector, which accounted for 48 per cent of turnover last year.

More recently, the group has moved into forestry in the south of the state, where it has 17,000 hectares of eucalyptus plantations and plans to expand to 96,600 hectares.

Production of cellulose should begin by the end of the decade at 150,000 tonnes a year. The project will absorb investments of R$1.3bn.

Mr Gilberto de Freitas Sá, a board director, says the decision to plant eucalyptus in the south of Bahia was purely commercial.

"Bahia has the best soil and the best sun for forestry," he says. "So why haven't other forestry companies come to Bahia? Perhaps because they're not Bahian."

While stressing Odebrecht's commitment to its home state, however, its directors insist that commercial considerations take equal first place. The group is now directed as much from São Paulo and Rio de Janeiro as from Salvador.

As it turns its attentions to the home market, Odebrecht is preparing to embark on another diversification, this time in tourism.

The group hopes to interest developers in a stretch of beach front it owns to the north of Salvador, where investment will be sought for an initial 1,500 rooms in hotels, guest-houses and chalets.

Eventually, it hopes the development will expand to between 15,000 and 20,000 rooms with international standards of service that Bahian tourism, for all its charms, currently cannot offer.

The aim is to attract one million tourists a year, creating a similar number of jobs.

NCR and Informix in computer partnership

By Louise Kehoe in San Francisco

NCR, the computer arm of AT&T which is soon to spun off, and Informix, the database software company, will today announce a partnership to create computer systems with guaranteed high reliability.

The partnership marks NCR's entry into the market for "high availability" computer systems. Computer downtime costs US businesses an estimated $4bn a year, the companies said.

Moreover, in some applications computer failures can be life-threatening. "If the computers that run the 911 system [equivalent to 999 in the UK] are up 99.9 per cent of the time, that still means that there is one hour per year when they are not working," said Mr Mark Hurd, vice-president of marketing for NCR's computer systems group. "That is not acceptable."

Currently, most critical computer systems are based on expensive designs with redundant components that can be called into use if the primary systems fail. NCR and Informix, however, will offer systems based on standard industry designs with guaranteed uptime. This will be achieved through extensive testing of both hardware and software to eliminate potential causes of failures.

The companies will also offer extensive consulting services to ensure design and optimise high-availability systems. Six customer support centres will be opened in the US, UK, Germany and Japan.

For NCR, the initiative represents a new direction. In future, it will focus primarily on two segments of the computer market; high availability computing and data warehousing, the creation of large corporate databases that can be mined for information.

The moves come as NCR is about to regain its independence. It was acquired by AT&T in a takeover valued at $7.4bn in 1991. With the planned break-up of AT&T, it will be spun off as a separate company later this year.

NEWS DIGEST

Nike shares jump on strong results

Shares in Nike, the US maker of sports shoes and sports clothing, jumped $4⅞ to $108⅛ in early trading yesterday after the company reported a 40 per cent increase in profits for its latest quarter and said orders were currently 55 per cent up on last year's levels. In its fiscal fourth quarter ending May 31, Nike had net income of $156.4m, or $1.06 a share, up from $113.4m, or 78 cents, a year earlier. For the full year, net profits rose 38 per cent to a record $553.2m, or $3.77, from the previous year's $399.7m, or $2.72.

Strong growth in US sales of athletic clothing helped produce the profits increase. US clothing revenues rose 117 per cent in the fourth quarter and 99 per cent in the year, to $842.5m. International clothing sales were also strong, up 38 per cent in the year to $651.3m. US footwear sales did well in a highly competitive market, up by 20 per cent in the quarter and also by 20 per cent, to $2.77bn, in the year. International footwear sales rose 35 per cent in the year to $1.68bn.

Nike said it had world-wide orders for delivery of a record $3.93bn worth of goods between June and November this year, 55 per cent higher than for the same period last year. It said rising sales were testimony to the strength of its brand.

Richard Tomkins, New York

Pixar gives up TV commercials

Pixar Animation Studios, the electronic film-making company responsible for last year's Disney hit, *Toy Story*, is to stop making television commercials and concentrate on film and interactive products. The move marks a break with the company's roots and the main source of cash flow, which helped fund its successful venture into the mainstream entertainment industry after 10 years in TV commercials.

Toy Story, the first full-length feature animated entirely by computers in three-dimensional style, and the biggest box office success of last year, was the first product of a three-film deal with Disney. The second, a re-telling of *The Magnificent Seven* set in the insect kingdom and provisionally called *Bugs*, is due out in 1998.

Pixar is 80 per cent-owned by Mr Steve Jobs, co-founder of Apple Computer, and was valued at more than $1bn on its initial public offering late last year, although annual revenues were only about $15m and Disney is understood to have claimed the lion's share of the revenues from *Toy Story*. Earnings this year are expected to benefit from the recent release of an interactive *Toy Story* CD-Rom and the planned distribution of the home video version of the film in October.

Christopher Parkes, Los Angeles

Geac chief stands down

Mr Stephen Sadler, architect of a five-year resurgence at Geac Computer, the Toronto-based software producer has resigned as president and chief executive, but remains a director and will help the company plan more acquisitions.

Analysts were surprised by the move. Mr Sadler has made 27 acquisitions since taking over Geac's leadership in 1990. For the year ended April 30, 1996, Geac earned C$35.6m (US$26m) or C$1.23 a share, against C$32m, or C$1.11, a year earlier, on sales of C$205m against C$187m. Its market capitalisation is nearly C$600m.

Geac made an international reputation for computerised library systems but its technology became outdated by the late 1980s, bringing several years of turmoil. Customers included the Vatican Library, the Smithsonian Institution, the British House of Lords and France's Bibliothèque Nationale. It has now modernised its library systems and branched out into products for hospitals, restaurants, publishers and banks.

Robert Gibbens, Montreal

Glaxo close to own triple Aids therapy

By Daniel Green in Vancouver

Glaxo Wellcome, the UK's largest drugs company, this week said that it hoped to have its own triple combination of drugs for Aids on sale within two years.

If so, it could have a clear advantage over many of its rivals in the Aids drug market. Such triple combinations have been hailed by some researchers at this week's 11th International Conference on Aids in Vancouver, Canada, as potential life savers.

Glaxo Wellcome sells two of the three components of most triple therapy regimes, AZT and 3TC. The third component is a kind of drug called a protease inhibitor.

Three triple combination treatments have been approved in record-breaking time this year by medical regulators. They are made by Merck and Abbott Laboratories of the US and Switzerland's Roche.

Mr Peter Young, director of HIV and hepatitis at Glaxo Wellcome, said that there were legal blocks preventing different companies coming together to sell their drugs as a package for triple therapy.

Glaxo could offer a package, however, if a protease inhibitor being developed by US biotechnology company Vertex completes its clinical trials rapidly.

Glaxo has marketing rights to the Vertex drug. Merck, Abbott and Roche are also likely to try to secure access to drugs like AZT and 3TC, either through their own research efforts or alliances with other companies.

Mr Young predicted "explosive growth" of the market over the next few years as a result of triple therapy. He said that sales of drugs for HIV/Aids could multiply 20-fold over the next few years from 1995 levels of about £300m ($468m).

Some of the products likely to be launched over the next few years would not make fortunes for their investors; total revenues will be split between at least 10 competing drugs.

Prices of the new triple therapy drugs might fall as sales grew. Current prices are between $10,000 and $15,000 a year for triple therapy, but it was "unrealistic" to expect static prices as volumes grew quickly.

Mr Young defended the pharmaceuticals industry against accusations by Aids activists this week in Vancouver that the new triple therapies were too expensive.

He said that the drugs could stop many patients getting complications of Aids such as tuberculosis which were expensive to treat in themselves.

A study by Roche of a two-drug combination therapy suggests more than half the costs of the drugs in the therapy would be recovered by not having to treat patients for such complications.

NEWS DIGEST

SmithKline drug receives approval

SmithKline Beecham's treatment for Parkinson's disease, ropinirole, has received approval from the UK marketing authorities – its first licence anywhere in the world.

The drug – to be sold under the trade name of ReQuip – is one of very few developed to relieve the symptoms of Parkinson's, a degenerative disorder of the nervous system. Nothing is available to halt or reverse the progress of the underlying disease.

Analysts estimate that the world market for Parkinson's drugs is worth £500m ($780m) a year. Ropinirole sales are projected to reach about £100m a year.

SmithKline Beecham expects approval in other European countries and in the US to follow soon. *Clive Cookson*

US group seeks Aim listing

Electronic Retailing Systems, the US supplier of electronic shelf labelling systems for retailers, is seeking £7.7m ($12m) via a placing and admission to Aim.

The company is listed on Nasdaq, the screen-based US exchange and this is the first application to join Aim by a Nasdaq-quoted group. Its product allows price changes and stock information to be transmitted between the shelf unit and the store's central computer.

Henderson Crosthwaite has placed 4.9m shares at 145p each. In addition, directors of ERS have subscribed for 911,657 shares in a private placing to raise £1.3m.

The market capitalisation of ERS is £30.5m and trading is expected to start on Thursday. *Martin Brice*

Danka in two Australian buys

Danka Business Systems, the automated office equipment supplier, is spending A$38m ($30m) on acquiring two Australian distributors of photocopiers and faxes.

The purchase of Sydney-based Tower Australia for A$30m and Datakey of Melbourne for A$8m will give Danka about 10 per cent of the Australian photocopier and fax distribution market.

Last year Tower had sales of A$80m and pre-tax profits of A$5.7m, while Datakey had sales of A$30.5m and profits of A$725,000. *Patrick Harverson*

Bespak's figures flattered by write-back on contract

By Tim Burt

Bespak, the medical equipment group, yesterday announced a return to profits and its first annual dividend increase for more than two years.

The shares rose 27p to 420p after the company said it had reversed losses of £14m ($22m) with pre-tax profits of £16.9m, on increased sales of £76.2m (£66.8m) in the year to May 3.

The figures, however, were flattered by the beneficial effects of resolving Bespak's costly licensing contract with Innovata Biomed, the ML Laboratories subsidiary, over manufacturing rights for dry powder inhalers.

Last year, Bespak announced heavy losses after making an £18.6m provision to cover its contract liabilities, under which it was obliged to pay ML royalties of about £2m a year for the right to sell its inhalers.

Mr Peter Chambré, chief executive, yesterday said the group had been able to write back £8.2m of those provisions after renegotiating the contract.

That exceptional credit helped lift underlying operating profits of £8.98m (£5.82m) to £17.2m, compared with operating losses of £12.8m last time.

Bespak also enjoyed a £1.98m exceptional tax credit, which lifted after-tax profits to £16m, against losses of £15.9m.

Of the £3.1m increase in operating profits – excluding associates – £1.72m was generated in the US, following the restructuring of its North Carolina plant and £1.38m came from improvements in the UK.

Strong demand for its inhaler devices and medical equipment also persuaded the group to announce an increased final dividend of 6.8p (6p), making a total of 11p (10.2p).

Lloyds Chemists issues warning

By Christopher Price

Lloyds Chemists, the UK pharmacy group under siege from Unichem and Gehe, yesterday warned second half profits would be hit by the uncertainty caused by the bids, both of which have been referred to the Monopolies and Mergers Commission.

Analysts, who had been forecasting a 6 per cent rise in pre-tax profits to £58m ($90m) for the full year, cut their estimates to about £50m.

Mr Michael Ward, Lloyds managing director, said like-for-like sales had risen during the second half, but margins had declined. He said the bids had distracted management and demoralised employees.

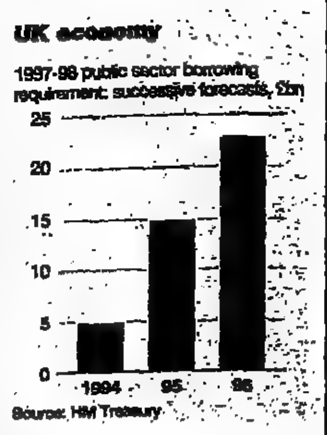
Analysts said yesterday's profit warning could affect the price, or structure, of a bid. Some suggested that Lloyds' margin decline in the second half was more likely to be related to soft consumer demand in the high street, than the distraction of a bid.

Unichem has tabled an all-share bid of £621m, while Gehe, the German group which last year acquired AAH, another UK chemist, has made a cash offer of £645m.

Lloyds shares fell 8p to 469p, capitalising it at £582m.

LEX COMMENT

The economy



According to Mr Kenneth Clarke, chancellor of the exchequer, Britain's public sector borrowing requirement is "unambiguously coming down". Up to a point, Mr Clark. Next year's PSBR, for instance, is now forecast at £23bn. Only last November, it was supposed to be £15bn. The budget before that, the estimate stood at £5bn. In truth, the downward future path of public borrowing, proudly projected every time the government puts out a forecast, is largely wishful thinking: this year's PSBR will probably end up a little below last year's, but not much. At this point in the economic cycle, it should certainly be far lower. Tax cuts should be out of the question.

Even so, Mr Clarke's recent attempts to pour cold water on the prospect of further pre-election bribery look no more than careful massaging of expectations, to help the markets swallow the hefty upwards revision in the borrowing figures. Certainly, his remarkably bullish new consumer spending forecast for next year – 4¼ per cent – suggests further loosening, both fiscal and monetary, is on the cards. Of course, Mr Clarke has everything to gain politically from downplaying expectations before tax cuts are finally unveiled.

The real question is how such sharp growth in consumer spending can be reconciled with the chancellor's claim that inflation is not set to accelerate next year but will actually fall back to 2¼ per cent. Almost certainly it cannot. And of the two forecasts, the inflation estimate looks much the more optimistic. For whoever wins the next election and has to tighten policy again, picking up the pieces will not be a pleasant job.

Pilkington sells last contact lens business

By Stefan Wagstyl, Industrial Editor

Pilkington, the glassmaker, yesterday announced the sale of its remaining contact lens business for $79m (£51m), marking an end to a costly and unsuccessful diversification.

The sale of Barnes Hind, a contact lens maker, follows the disposals last year for $77m of Allergen, a contact lens solutions maker, and of Paragon Optical, which makes raw materials for lenses. Pilkington paid £375m for the businesses in 1987 when it acquired Visioncare, a division of Revlon, the US cosmetics group.

It wrote off £375m last year, when it disclosed plans to sell the operations.

Analysts expressed satisfaction Pilkington had finally put Visioncare behind it. Mr Robin Griffiths, of Albert E Sharp, the broker, said: "It's been a very, very poor investment."

Barnes Hind performed particularly badly, often making losses, including a $7m operating loss on a turnover of $128m in the year to March.

Pilkington abandoned the diversification policy in 1992 after the arrival as chief executive of Mr Roger Leverton.

Barnes Hind is being bought by Wesley Jessen, a Chicago contact lens business owned by Bain Capital, a Boston-based investment company. Pilkington will use the proceeds to cut its debts, which stood at £699m at the end of March.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baileys	Yr to Apr 27	488	(476)	6.5	(6)	27.88	([illegible])	-	-	-	-	-
Bespak	53 weeks to May 3	76.2	(66.8)	16.9♥	(14L♠)	63.2	(62.9L)	6.8	Oct 7	6	11	10.2
Birse	Yr to Apr 30	[illegible]	(305)	1.12	(6.98L♠)	0.6	(3.6L)	nil	-	nil	nil	nil
Budgens	Yr to Apr 28	302.8	(283)	7.58	(2.56)	3.7	(1.2)	0.9	Oct 1	0.8	1.25	1.1
Dudley Jenkins	Yr to Apr 30	19.5	(14.3)	[illegible]	(1.09)	7.27	(6.62)	2.431	Oct 4	2.315	3.686	3.415
Eurocamp	6 mths to Apr 30	14.7	(0.455)	5.2L	(6.3L)	10.5L†	(18.3L)	[illegible]	Aug 27	3.75	-	11
Farepak	Yr to Apr 30	103.5	(99.3)	7.92	(7.11)	22.64†	(20.52)	6.35	Oct 1	5.55	8.8	7.7
Foster (John)	Yr to Feb 29	12.5	(14.3)	1.25L	(1.1L)	10.9L	(9.4L)	nil	-	nil	nil	nil
Gibbs Mew	Yr to Mar 30	43.6	(38.5)	5.21♥	(4.44♥)	29.63†	(31.34)	6	Oct 1	5.5	10	9.5
Menzies (John)	53 weeks to May 4	1,413	(1,258)	35.9	(38.1)	40.1	(44.6)	9	[illegible]	8.6	13.6	13.2
Moorepay ♦	6 mths to June 30	-	(-)	-	(-)	-	(-)	1.2■	July 30	1	-	4.4
Morris Ashby	Yr to Mar 31	36.3	(32.7)	3.02	(2.89)	19.6	(18.2)	5.05	Oct 7	4.55	7.5	6.75
P&P	6 mths to May 31	179.2	(171.7)	6.5	(6.2)	5.8†	(5.3)	1.25	Oct 7	1.15	-	3.15
Real Time Control	Yr to Mar 31	11.9	(13.5)	2.2♥	(1.78)	20.8	(20)	5	Oct 2	4.5	5	4.5
Rexmore	Yr to Mar 30	33.1	(32.6)	1.64	(1.91)	7.6	(8.9)	2.1	Oct 3	3.1	3.4	3.4
Triplex Lloyd	Yr to Mar 31	199.6	(190.5)	9.48♠	(8.31)	10.4	(9.8)	4.5	Oct 2	4.5	7	7
Universal Salvage	Yr to Apr 30	46.1	(40.4)	3.98♠	(3.38♠)	8.56	(8.63)	3.55	Aug 15	-	5.07	-
VBE Holdings	Yr to March 31	34.6	(24.4)	2.61	(3.07)	5.3	(6.3)	0.25	Oct 18	nil	0.25	1.35
Wood (John D) §	Yr to Apr 30	7.8	(7.25)	0.729	(0.503)	5.4	([illegible])	1.75	Sept 30	1.25	2.5	2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Inc & Cap	Yr to March 31	-	(-)	-	(-)	-	(-)	1.3	Sept 1	1.2	-	5.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Aim stock. §USM stock. ■Second quarterly, making 2.2p so far.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for trading on 10.07.96: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.25	17.21	18.70
0100	12.05	17.21	18.70
0130	12.05	17.21	18.70
0200	12.05	17.21	18.70
0230	12.05	17.21	18.70
0300	12.05	17.21	18.70
0330	12.05	17.21	18.70
0400	8.92	17.21	18.70
0430	8.92	17.21	18.70
0500	8.90	17.21	18.70
0530	8.88	16.16	18.65
0600	8.57	16.16	18.65
0630	8.57	16.16	18.69
0700	12.25	[illegible]	18.31
0730	16.60	17.25	18.97
0800	17.26	19.62	21.71
0830	18.22	26.26	29.11
0900	20.53	46.77	49.41
0930	26.36	40.58	54.36
1000	40.59	52.86	57.21
1030	41.88	54.78	60.26
1100	38.82	55.34	62.17
1130	38.41	60.72	67.38
1200	38.11	70.66	76.05
1230	36.73	69.96	76.64
1300	37.13	62.82	68.45
1330	23.00	44.27	48.96
1400	18.71	41.16	44.85
1430	19.08	38.08	42.51
1500	18.79	27.82	30.87
1530	18.77	23.54	26.64
1600	19.50	25.87	28.57
1630	35.30	51.56	56.14
1700	41.37	63.66	68.65
1730	40.38	60.81	64.62
1800	30.40	45.57	48.40
1830	17.22	18.47	20.33
1900	16.84	17.48	19.04
1930	16.68	17.02	18.52
2000	16.68	16.64	18.14
2030	16.66	16.64	18.13
2100	16.30	16.64	18.13
2130	16.30	16.64	18.13
2200	29.20	23.84	25.33
2230	[illegible]	30.09	31.57
2300	22.56	30.09	31.57
2330	22.25	16.52	18.01
2400	18.11	16.62	18.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

BUSINESS AND THE ENVIRONMENT

Perfect Polish practice

A drive by a UK importer to ensure that its wood products come from "well managed" forests has produced an unexpected discovery – Poland's forestry techniques meet international standards with no need to implement changes.

"We were surprised when we read the report," says Malcolm Caley, marketing director at UK-based Douglas Kane, which commissioned a management assessment of forests in Poland's Katowice region. This covers 606,000 ha of urban, mountain and lowland forest land.

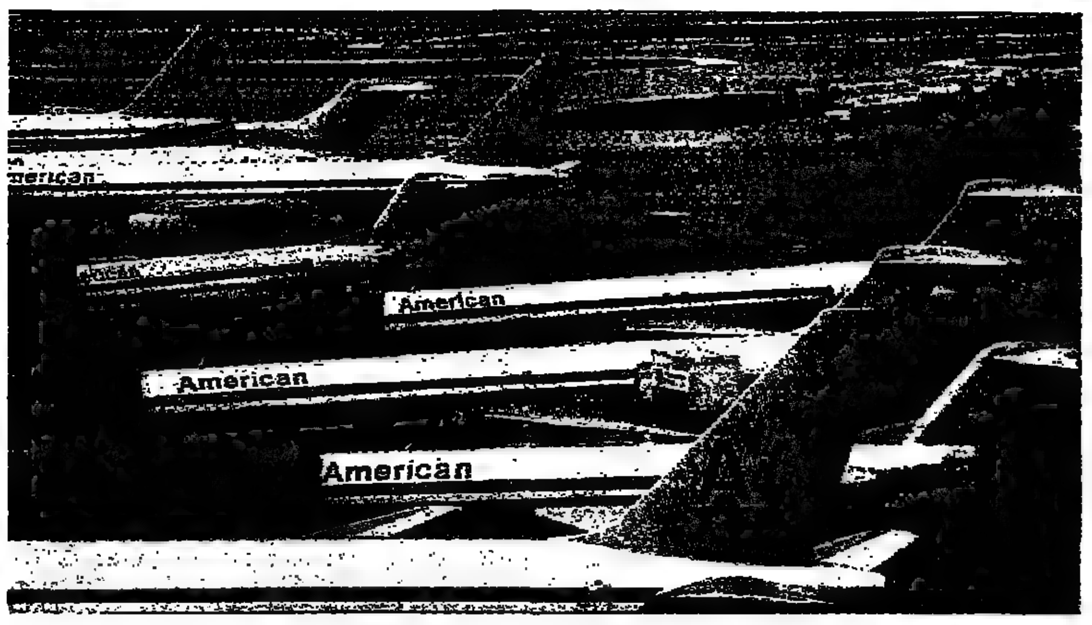
The criteria were drawn up by the Forest Stewardship Council, an independent forest certification organisation established three years ago. Douglas Kane is a member of the World Wildlife Fund "1995 group", a band of UK companies working to ensure that forests are adequately protected. As a result of the audit, conducted earlier this year by SGS Forestry of Oxford, Douglas Kane will be buying more timber products from the area, currently worth about £500,000 a year.

The report found that Poland's forest rangers had been observing the criteria without knowing about them. "Although at the time there was little specific awareness of the FSC procedures and criteria, management procedures without exception fulfilled the requirements," the SGS report says.

By the beginning of this year FSC-approved bodies had certified 21 forests around the world representing a total of 3.79m ha. Sweden is starting to produce certificates for its products and the movement is spreading to other Nordic countries, Canada and the US.

Last year, Poland exported $732m (£470m) worth of raw timber and wooden semi-finished products and a further $747m worth of furniture. The results of the SGS audit in Katowice mean that Polish timber has, potentially, acquired additional value.

Christopher Bobinski



Airports are investing in new facilities despite complaints from ecologists that the US has become saturated with aircraft noise

Glyn Genin

Victoria Griffith on the outcry over noise pollution caused by increasing numbers of aircraft in US skies

Sound of fury

The summer months bring a host of pleasures to Woody Tasch, a resident of the idyllic island of Nantucket off the Massachusetts coast: invigorating swims in the ocean and leisurely walks around the neighbourhood.

Yet Tasch says his enjoyment is diminished by an unrelenting buzz overhead during the island's peak tourist season: the cacophony created by thousands of aeroplanes flying between Nantucket and the mainland. "We've been dumped on by the air industry for years, and we're not going to put up with it any more," he says.

Tasch's concern is shared not only by fellow island dwellers, but by citizens and environmental groups around the country. Ecologists complain that the US has become saturated with aircraft noise.

"It's very disturbing that there's nowhere you can go in this country to experience natural quiet," says Elizabeth Thagard, an attorney with the Conservation Law Foundation, an environmental group. "Even in designated wilderness areas, you get this annoying sound of aircraft and helicopters above you all the time. Sometimes it's so bad that you can't even hear yourself talking."

Growing numbers of Americans are travelling by air. Competition has driven down the cost and boosted demand for long-haul flights. With automobile traffic increasing and railways still weak, travellers are also turning to aircraft for short-haul trips of a few hundred miles or less. And scenic aeroplane and helicopter rides have become popular with tourists trying to pack a lot of sightseeing into tight holiday schedules.

The airways are filling up fast as a result. The Port of Seattle, which runs the city's airport, says it is struggling to cope with 386,000 flights annually. The National Park Service estimates at least 70,000 flights take place annually over the Grand Canyon. Nantucket, in peak season, is subjected to 1,000 arrivals and departures daily.

To meet vigorous demand, airports around the country are investing in new facilities. A $1.2bn (£760m) expansion has been proposed for Logan Airport in Boston, and the Port of Seattle hopes to sink $405m into a third runway. Smaller airports, too, are looking to add on capacity. New Bedford in Massachusetts, for instance, is planning to spend $30m on an expansion, mostly to accommodate tourist traffic to Cape Cod and nearby islands.

All of these projects are encountering fierce opposition. Even where no expansion plans exist, citizen alliances and environmental groups are pressuring the Federal Aviation Administration to limit noise. Air traffic opponents hope to limit flights over Key West in Florida, and re-route some of the traffic flying over the heavily populated area of northern New Jersey.

The issue of aeroplane noise caught the attention of the federal government earlier this year, when President Bill Clinton pledged to return the nation's parks to a state of natural quiet.

The Department of Transportation is developing a rule to reduce sightseeing flights in the Grand Canyon and the Rocky Mountain National Park in Colorado. In June last year, the department reached an agreement with New York air tour operators, who promised to fly no close than 500ft to the Statue of Liberty.

Ecologists have met with less success in the area of airport expansion. Citizens groups lost a recent battle to oppose added capacity at the Dallas/Fort Worth airport, and may soon face defeat in other parts of the country.

Environmentalists complain they are not taken seriously because noise pollution is not specifically regulated in the US. A special arm of the Environmental Protection Agency mandated to control noise pollution was shut down in the early 1980s by the Reagan administration. Although the FAA officially arbitrates disputes over air traffic, the agency points out that noise pollution is not one of its primary concerns. "We try to take residents' feelings into account, but our primary mission is to promote the safety and viability of air travel in the US," it says.

Although noise is the biggest sticking point, environmentalists also worry about air quality troubles and wetlands destruction involved in airport expansion. The plans for New Bedford airport in Massachusetts are particularly controversial since they would destroy 180 acres of wetlands, home to a number of rare animal and plant species.

"The expansion of the New Bedford airport would be an outrage," says Heidi Roddis, policy specialist at the Massachusetts Audubon Society, an environmental group. "They say they will replace the wetlands, but how can you replace an ecological system that's been built up over thousands of years?"

Tour operators and the air travel industry believe their opponents ignore the positive economic impact that good airports bring to a community. They also point to efforts they are making to mitigate noise. Papillon, which controls much of the scenic flight business over the national parks, is developing a new, quieter helicopter, for instance. The aircraft would operate with five blades instead of the more common three, and uses space-age materials to come up with a lighter vehicle.

Cape Air says it is willing to re-route its flights to cut down on noise over Nantucket.

The Port of Seattle points to its $300m programme to insulate nearby houses against noise. "We've already installed soundproofing in 4,000 homes and hope to do another 6,000 over the next four years," says Anita Risdon, in charge of marketing for the entity. "We spend a lot of money and effort trying to be a good neighbour, but in the end you have to consider the economic benefit, too."

Air traffic opponents seem set for victory in the national parks, where efforts are already under way to limit flights. Yet controlling air use over local airports is likely to prove a far bigger challenge.

Many areas see good airport facilities as part of a region's economic lifeblood, and noise pollution is not taken as seriously as, for instance, air and water quality. Yet environmentalists say they'll keep fighting. "The odds seem to be against us," says Tasch. "But we're optimistic that we can at least get a few concessions."

John Griffiths looks at a possible solution to cold 'cats'

Warming to converters

Metreon, the US joint venture formed a year ago to develop and produce next-generation vehicle catalytic converter systems, has begun talks with 13 European carmakers on "cats" capable of meeting Europe's proposed tough new Euro 3 exhaust emissions laws.

The partners in Metreon are Engelhard Industries, the special materials and precious metals group, and WR Grace, the chemicals group.

John Mahoney, Metreon's general manager, says Metreon is considering a number of possible sites in Europe as a manufacturing base to supply European carmakers with a new form of "cat" which, it says, should be capable of complying fully with the Euro 3 standards.

These standards are still being finalised in Brussels but are scheduled to be introduced before the end of the decade. While the precise levels of allowable pollutants have not been finally agreed, they will require improved performance over current catalytic converters – particularly in the "light-up" phase.

This is the 30-second or so period when the engine is running but the catalytic converter has not warmed up sufficiently to deal effectively with pollutants.

Carmakers have been exploring various ways to deal with the problem. These range from temporarily feeding the exhaust into an inflatable bag until the "cat" warms up, before recirculating the exhaust gases through the engine, to installing pre-heaters for the catalyst. Such "non-passive" systems, however, involve additional cost and complexity.

Drawing on the resources of its joint parents – Engelhard and Grace are, respectively, two of the world's leaders in emission control technologies and specialised chemicals – Ohio-based Metreon has developed a "passive" system which it insists will not be substantially more expensive than conventional "cats".

The system is already undergoing trials with two of the US's big three carmakers, Mahoney says.

Its fundamental difference compared with a conventional converter is that the metal foil which forms the core of the system is precoated with the catalyst when it is in flat sheet form, rather than dipped after assembly.

Not only does this provide greater consistency of operation, but it means the core can be formed into more complex configurations with higher cell densities, thus increasing the catalyst surface area to which exhaust gases are exposed.

Initial demand for the system is to be met from the Ohio facility, says Mahoney, with a European facility likely to be brought on-stream towards the end of the decade.

Passive progress: a car fitted with a Metreon 'cat' undergoes emissions testing

Europe unmoved by sell-off in US Treasuries

By Samer Iskandar in London and Lisa Bransten in New York

European government bonds were well supported yesterday, as traders appeared unmoved by last Friday's sell-off. The volume of transactions, however, remained modest.

"Investors are now looking at Europe and the US as two separate blocks," said Mr Mark Fox, chief European strategist at Lehman Brothers in London. "European markets are driven by fiscal considerations and their implications for European monetary union, while in the US the main preoccupation is the timing of the next interest rate hike."

Although global bond markets are strongly interlinked in the long term, Mr Fox believes reduced inflationary pressures will allow European markets to decouple temporarily from US dominance. However, some traders reported arbitrage-driven futures transactions aiming to take advantage of the widening of Treasury yield spreads over bunds.

■ German bunds recovered slightly from the previous two sessions' losses. Liffe's September bund future closed at 95.37, up 0.24. In the cash market, the 10-year benchmark bund was 0.15 higher at 97.65.

"Friday's outperformance [over Treasuries] was too overdone," one futures trader said. "The market is betting on a correction, especially in the five-year area [of the yield curve]."

The German market received some support from comments by Mr Theo Waigel, finance minister, who reaffirmed that his budget plan for 1997 would show a deficit of less than 3 per cent of GDP, allowing the country to meet the Emu timetable.

■ Italian bonds had a volatile session. Liffe's September BTP future settled at 117.38, after reaching extremes of 116.70 and 117.48. Prices fell by more than ½ around mid-day as the Communist Refoundation party voiced its opposition to the government's three-year economic plan, which the party considers too restrictive.

GOVERNMENT BONDS

"It was a storm in a tea-cup," said Mr David Brown, chief international economist at Bear Stearns. "There is still good news down the road." Mr Brown also said any spread widening over bunds should be seen as a buying opportunity. He predicts that the 10-year BTP–bund spread will reach 350 basis points soon, and possibly 225 points if a move to rejoin the European exchange rate mechanism is announced.

■ Spanish bonds had a positive session. The September future on 10-year bonos closed 0.42 higher at 101.31, while in the cash market the 10-year yield spread over bunds was 5 basis points narrower at 215 points. Bear Stearns's Mr Brown expects this spread to tighten to below 200 basis points after the current "temporary inflation uptick". He predicts a decline in consumer price inflation to around 3.5 per cent by year-end.

■ UK gilts were boosted by slightly bullish PSBR data. Liffe's September long gilt future settled at 106¾, up $\frac{1}{32}$. Gilt prices rose as Mr Kenneth Clarke, chancellor of the exchequer, announced a smaller than expected upward revision of the PSBR to £27bn from £22.5bn. Market participants were expecting a figure upward of £28bn. A revision of projected PSBR for 1997 to £23bn, from an initial forecast of £15bn, was dismissed by economists as "over-cautious".

■ US Treasury prices early yesterday remained near the levels hit after Friday's sell-off as investors awaited an afternoon auction of $10bn in 10-year notes.

Near midday, the long bond was up $\frac{1}{32}$ at 85$\frac{5}{32}$ to yield 7.177 per cent, while at the short end of the maturity spectrum, the two-year note was unchanged at 99$\frac{21}{32}$, yielding 6.420 per cent. The September 30-year bond future was $\frac{1}{32}$ stronger at 106$\frac{21}{32}$.

Although there were early worries that demand might be weak at the 10-year note auction, the existing 10-year paper gained $\frac{1}{32}$ at 98$\frac{21}{32}$ to yield 7.168 per cent.

Little important economic data was released yesterday. Instead, investors were turning their attention to figures on June retail sales and producer prices, due on Friday, for a sense of whether this year's strength in the labour market would translate into inflationary pressures.

Economists expect the producer price index to be unchanged, and even a modest increase could cause nervousness in the bond market.

Japan's Exim Bank launches $750m 'euro-asian' offering

By Richard Lapper and Samer Iskandar

A $750m five-year issue by the Export-Import Bank of Japan, the government-guaranteed export credit agency, and a DM250m five-year issue for the Republic of Poland were the two highlights among yesterday's new issues in the euromarket.

The Exim Bank issue, led by Merrill Lynch and Nomura, is the biggest dollar-denominated issue by a Japanese government guaranteed agency. One of about half a dozen deals to be listed jointly in both London and Hong Kong this year, it is the first so-called "euro-asian" deal by a Japanese issuer.

Syndicate managers explained that the relatively small size of dollar issues by this type of borrower had inhibited their performance on the secondary market.

The dual listing, as well as the maturity, which is also unusual for this type of issuer, are designed to help the issuer tap a wider range of investors.

"This is an attempt to listen to the market," one syndicate manager said. "There is very little demand for 10-year paper."

INTERNATIONAL BONDS

Launched at a spread of 14 basis points over Treasuries, the yield fell marginally when the bonds were freed to trade, closing at 13 bid, 12 offer. Ten per cent of the bonds were placed in Japan, 50 per cent elsewhere in Asia and 40 per cent in Europe.

Strong investor demand from Europe, especially Germany and Switzerland, guaranteed a good reception for Poland's DM250m five-year issue, jointly led by Deutsche Morgan Grenfell and CS First Boston, with the yield spread falling by 2 basis points to 63 points by the close.

International investors also responded warmly to a five-year L200bn issue by GECC – one of a plethora of issues in more peripheral currencies – accounting for some 60 per cent of take-up.

Investors were attracted by the relative stability of the Italian market, the probability of an imminent cut in Italian base rates as well as the diversification opportunities in a sector where banks are typical issuers.

Like a number of issues in non-mainstream currencies, the deal allowed the issuer good swap opportunities, with funding costs equal to Libor less 29 or five-year BTPs less 14 basis points.

Elsewhere, Cades, the government agency set up to manage the French social security's accumulated deficits, has asked ABN Amro to arrange a bond issue in Dutch guilders to refinance money-market debt issued last month.

Meanwhile, the Canadian provinces of Ontario and Quebec are expected to tap the market in French francs.

A presentation by Quebec officials, organised by Société Générale, took place in Paris yesterday.

Finally, the Kingdom of Spain was rumoured to be looking at a large-sized, long-dated issue in French francs.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Export-Import Bank of Japan	750	7.00	99.733R	Aug 2001	0.25R	+14(6⅝%-01)	Merrill Lynch/Nomura
■ D-MARKS							
Republic of Poland	250	6.125	99.627R	Jul 2001	0.35R	+65(5¼%-01)	CSFB/Deutsche MG
■ YEN							
Nationwide Building Society‡	10bn	(a)	100.15	Aug 2001	0.15	-	Sanwa International
Argentaria Global Finance‡	10bn	(b)	104.20	Jul 2000	0.20	-	Nikko Europe
■ SWISS FRANCS							
Oesterreichische Postsparkasse	200	4.125	103.15	Aug 2000	1.75	-	Credit Suisse
■ STERLING							
MacKenzie Co§	50	9.25	101.374	Jan 2020	undisc	-	JP Morgan Securities
■ GUILDERS							
Inter-American Dev'ment Bank	350	6.625	99.395R	Aug 2006	0.325R	+14(6½%-06)	ABN Amro Hoare Govett
■ LUXEMBOURG FRANCS							
Rabobank Nederland§	2bn	6.125	102.65	Dec 2002	1.875	-	BGL
Cerabank Luxembourg§	2bn	6.125	102.75	Nov 2001	1.875	-	BCEE/Cerabank Lux
■ ITALIAN LIRE							
WestLB Finance Curaçao	200bn	8.85	101.375	Aug 2006	1.875	-	Cariplo/Monte dei Paschi
GECC	200bn	8.375	101.785	Aug 2001	1.875	-	Credito Italiano/Paribas
■ CANADIAN DOLLARS							
Toyota Credit Canada§	100	7.375	100.15R	Dec 2001	0.25R	+8(7¼%-01)	CIBC Wood Gundy
■ AUSTRALIAN DOLLARS							
State Bank of New South Wales	100	8.625	101.50	Aug 2001	2.00	-	Barclays de Zoete Wedd
National Australia Bank	100	8.50	101.175	Aug 1999	1.50	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor -8bp. b) 3-mth Libor +40bp to July 1997, then +100bp. § Long 1st coupon. § Short 1st coupon

Granada returns to refinance part of Forte facility

By Antonia Sharpe

Granada, the UK television and leisure group, has returned to the syndicated loans market to refinance a small part of the £2.5bn three-year syndicated loan which it took out late last year to fund its acquisition of Forte, the UK hotel company.

SYNDICATED LOANS

BZW, Chase and NatWest have been asked to arrange a £350m six-year facility at a margin of 20 basis points over the London interbank offered rate (Libor) – well below the margin of 37½ basis points which Granada agreed to pay on the acquisition financing.

The margin on the new loan falls to 17½ basis points when Granada's interest cover, currently 4 times, rises to 5 times or higher.

The company's decision to refinance part of the loan raised speculation that it was planning a larger refinancing later in the year.

However, some bankers said that, although Granada had not yet made any large disposals since buying Forte, it might not need to refinance the whole loan because of its enhanced cash flow and future disposals. "£350m is probably what Granada regards as core long-term debt," one banker said.

Despite the arrival of the traditional summer holiday break, the syndicated loans market remains relatively buoyant.

Baring Brothers and Royal Bank of Scotland have underwritten a £160m facility for Highland Distilleries, which will fund its bid for Macallan-Glenlivet. The five-year loan, which will be syndicated at a later date, carries a margin of 35 basis points over Libor.

Loans which are now in syndication include the much-rumoured £162.5m senior debt facility to finance the management buy-out of Dunlop Slazenger from BTR.

The facility, via NatWest, is divided into three tranches and carries an initial margin of 2¼ per cent, falling to 1¾ per cent depending on debt repayment and earnings. The final maturity is 7.8 years but amortisation reduces the average life to 4.5 years.

Elsewhere, bank appetite for emerging-market credits continues to be strong. The National Bank of Hungary is seeking to raise $250m through a five-year loan with a margin of 50 basis points over Libor, half what it paid last year.

● Slovenské Elektrárne, Slovakia's state-owned electricity utility, has raised $150m in a syndicated loan arranged by J.P. Morgan with a consortium of 28 international banks, writes Vincent Boland in Prague.

The loan, due to be signed in Bratislava today, is for three years with the option of an extension for a further two years. The loan carries a margin of 87.5 basis points over Libor.

SE had originally sought to raise $100m but heavy demand from banks in general syndication persuaded it to raise the amount by $50m. The loan is being offered without recourse to a state guarantee, which is seen as an important indicator of growing international confidence in Slovak companies.

The utility said it would use the funds to cover general expenses and investment operations. In May the company and the Slovak government signed credit agreements for nearly $900m with domestic and foreign banks to finance SE's completion of its Mochovce nuclear power plant.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.7400	-	8.82	8.81	8.93
Austria		6.250	05/06	97.0000	+0.160	6.57	6.54	6.45
Belgium		7.000	05/06	100.8700	-	6.87	6.77	6.72
Canada *		7.000	12/06	94.0300	+0.380	7.85	7.72	7.57
Denmark		8.000	03/06	103.8600	+0.160	7.42	7.41	7.47
France	BTAN	5.750	03/01	100.2500	+0.120	5.69	5.62	5.63
	OAT	7.250	04/06	104.9600	+0.160	6.54	6.51	6.49
Germany Bund		6.250	04/06	97.6500	+0.150	6.58	6.54	6.50
Ireland		8.000	08/06	102.2600	+0.270	7.66	7.62	7.68
Italy		9.500	02/06	102.2100	-0.010	9.15†	9.21	9.35
Japan	No 140	6.600	06/01	118.7204	-0.270	2.36	2.29	2.29
	No 182	3.000	09/05	97.8173	-0.070	3.31	3.25	3.20
Netherlands		6.000	01/06	95.3200	+0.100	6.63	6.46	6.37
Portugal		11.875	02/05	118.5600	+0.120	8.70	8.69	8.93
Spain		8.800	04/06	100.3000	+0.420	8.73	8.81	9.14
Sweden		6.000	02/05	85.5588	+0.060	8.35	8.24	8.47
UK Gilts		8.000	12/00	103-03	+5/32	7.16	7.18	7.48
		7.500	12/06	97-01	+5/32	7.92	7.91	8.17
		9.000	10/08	107-11	+5/32	8.04	8.02	8.28
US Treasury *		6.875	05/06	98-25	+4/32	7.05	6.79	6.83
		6.000	02/26	85-18	+4/32	7.18	6.93	6.97
ECU (French Govt)		7.500	04/06	102.9800	+0.080	7.03	6.92	6.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.44
Prime rate	8¼	Two month	-	Three year	6.63
Broker loan rate	7	Three month	5.25	Five year	6.81
Fed funds	5¼	Six month	5.54	10-year	7.05
Fed funds at intervention	-	One year	5.85	30-year	7.18

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	121.30	121.36	+0.10	121.46	121.30	88,840	166,522
Dec	120.08	120.08	+0.10	120.08	120.00	939	28,702
Mar	119.88	119.82	+0.06	119.88	119.78	688	1,514

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
120	-	-	1.39	0.07	0.33	1.32
121	0.63	1.01	0.86	0.29	0.59	-
122	0.15	0.48	0.52	0.78	-	-
123	0.02	0.18	-	-	-	-
124	-	-	-	-	-	-

Est. vol total, Calls 9,455 Puts 12,795. Previous day's open int., Calls 120,262 Puts 156,207

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.24	95.37	+0.24	95.45	95.16	93845	200223
Dec	94.32	94.46	+0.23	94.45	94.30	831	5075

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9500	0.57	0.83	0.56	0.87	0.20	0.46	1.10	1.41
9550	0.27	0.54	0.36	0.67	0.40	0.67	1.40	1.71
9600	0.10	0.32	0.22	0.50	0.73	0.95	1.76	2.04

Est. vol. total, Calls 8181 Puts 8795. Previous day's open int., Calls 146329 Puts 163361

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	117.32	117.38	+0.17	117.48	116.70	54087	64547
Dec	116.70	116.70	+0.19	116.70	116.15	1113	1101

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11700	1.28	1.89	0.90	2.10
11750	1.02	1.58	1.14	2.36
11800	0.80	1.33	1.42	2.68

Est. vol. total, Calls 2857 Puts 8305. Previous day's open int., Calls 74007 Puts 69167

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.95	101.31	+0.42	102.43	100.79	81,779	61,711

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-13	106-16	+0-06	106-20	106-12	37119	128164
Dec	105-20	105-21	+0-06	105-20	105-20	8	816

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
106	0-53	1-16	1-08	1-41	0-21	0-47	1-30	1-63
107	0-20	0-46	0-47	1-09	0-52	1-14	2-05	2-31
108	0-05	0-24	0-29	0-50	1-37	1-56	2-51	3-06

Est. vol. total, Calls 592 Puts 2448. Previous day's open int., Calls 22746 Puts 20786

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.40	90.38	+0.06	90.40	90.28	40	6,918
Dec	-	89.00	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	106-14	106-16	+0-04	106-22	106-13	259,589	453,918
Dec	105-30	106-02	+0-04	106-06	105-30	712	18,312
Mar	105-24	105-24	+0-06	105-24	105-24	167	2,953

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.26	-	-	118.42	118.26	2006	n/a
Dec	117.24	-	-	117.37	117.24	535	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 9	Day's change %	Mon Jul 8	Accrued interest	xd adj. ytd		Low coupon yield Jul 9	Low Jul 8	Low Yr. ago	Medium coupon yield Jul 9	Medium Jul 8	Medium Yr. ago	High coupon yield Jul 9	High Jul 8	High Yr. ago
1 Up to 5 years (22)	122.39	0.10	122.26	2.78	4.72	5 yrs	7.20	7.22	7.85	7.36	7.38	7.87	7.42	7.45	7.94
2 5-15 years (19)	146.35	0.15	146.11	2.20	6.12	15 yrs	8.14	8.17	8.16	8.15	8.17	8.21	8.24	8.26	8.36
3 Over 15 years (9)	160.69	0.22	160.33	2.78	6.30	20 yrs	8.23	8.27	8.18	8.24	8.26	8.22	8.26	8.33	8.33
4 Irredeemables (6)	182.86	0.49	181.99	2.65	6.36	Irred.†	8.30	8.34	8.27						
5 All stocks (66)	141.89	0.16	141.66	2.57	5.67										

Index-linked	Tue Jul 9	Day's change %	Mon Jul 8	Accrued interest	xd adj. ytd		Inflation 5% Jul 9	Jul 8	Yr. ago	Inflation 10% Jul 9	Jul 8	Yr. ago
6 Up to 5 years (1)	198.85	0.03	198.79	1.81	4.43	Up to 5 yrs	2.54	2.54	3.23	1.07	1.07	1.86
7 Over 5 years (11)	187.85	0.14	187.60	1.61	2.09	Over 5 yrs	3.79	3.80	3.64	3.59	3.60	3.45
8 All stocks (12)	187.97	0.13	187.72	1.61	2.13							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 9	Jul 8	Jul 5	Jul 4	Jul 3	Yr ago	High*	Low*
Govt. Secs. (UK)	92.80	92.66	92.69	93.02	92.80	93.24	96.34	91.59
Fixed Interest	112.27	113.85	112.48	112.52	112.50	112.18	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 8	Jul 5	Jul 4	Jul 3	Jul 2
Gilt Edged bargains	69.2	87.0	86.7	76.2	[illegible]
5-day average	80.8	82.2	80.8	79.2	82.1

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 2pc 1996		0.91	5.55	219$\frac{9}{16}$	—	219$\frac{9}{16}$	211$\frac{1}{16}$
Conversion 10pc 1996		9.85	5.62	101½	—	104$\frac{1}{16}$	101½
Treas 13¼pc 1997‡‡		12.74	5.57	103$\frac{31}{32}$	—	106$\frac{13}{32}$	103$\frac{31}{32}$
Exch 10½pc 1997		10.20	5.59	102$\frac{31}{32}$	—	105$\frac{15}{32}$	102⅞
Treas Cnv 7pc 1997‡‡		6.92	5.73	101$\frac{5}{32}$	—	101$\frac{13}{32}$	[illegible]
Treas 8¾pc 1997‡‡		8.49	5.87	103$\frac{1}{16}$	+$\frac{1}{16}$	104$\frac{1}{32}$	102$\frac{13}{32}$
Exch 15pc 1997		13.49	5.93	111$\frac{1}{32}$	—	118$\frac{5}{32}$	111$\frac{1}{32}$
Exch 9¾pc 1998		9.27	6.14	105$\frac{1}{16}$	—	[illegible]	[illegible]

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 8½pc 2005‡‡		8.16	7.86	104$\frac{5}{32}$	+$\frac{5}{32}$	108$\frac{13}{32}$	101
Treas 7½pc 2006‡‡		7.73	7.92	97$\frac{1}{16}$	+$\frac{1}{16}$	101$\frac{13}{32}$	94$\frac{13}{32}$
Treas 7¾pc 2006‡‡		7.87	7.95	98$\frac{15}{32}$	+$\frac{5}{32}$	103¼	95$\frac{1}{16}$
Treas 8pc 2002-6‡‡		7.96	7.82	100$\frac{1}{16}$	+$\frac{1}{16}$	104$\frac{13}{32}$	98$\frac{21}{32}$
Treas 11¾pc 2003-7		9.70	7.70	120$\frac{31}{32}$	+$\frac{1}{8}$	125$\frac{1}{16}$	118$\frac{5}{32}$
Treas 8½pc 2007 ‡‡		8.20	7.99	103$\frac{5}{32}$	+$\frac{1}{16}$	108$\frac{5}{32}$	100$\frac{31}{32}$
Treas 13½pc 2004-8		10.19	7.80	132$\frac{15}{32}$	+$\frac{1}{16}$	138$\frac{13}{32}$	130$\frac{13}{32}$

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	1.07	2.54	113$\frac{13}{32}$	+$\frac{1}{16}$	113$\frac{13}{32}$	111$\frac{1}{16}$
2½pc '01	(78.3)	3.07	3.59	180⅞	+$\frac{1}{8}$	180⅞	174$\frac{13}{32}$
2½pc '03	(78.8)	3.31	3.70	175½	+$\frac{1}{8}$	178$\frac{1}{16}$	170$\frac{13}{32}$
4⅜pc '04‡‡	(135.6)	3.36	3.72	114⅞	+$\frac{1}{8}$	116$\frac{13}{32}$	112$\frac{13}{32}$
2pc '06	(69.5)	3.45	3.73	183$\frac{13}{32}$	+$\frac{1}{8}$	185$\frac{13}{32}$	179
2½pc '09	(78.8)	3.53	3.76	164⅞	+$\frac{1}{8}$	167¼	161$\frac{1}{16}$
2½pc '11	(74.6)	3.57	3.78	170$\frac{13}{32}$	+$\frac{1}{8}$	173$\frac{1}{16}$	166$\frac{1}{16}$
2½pc '13	(89.2)	3.60	3.79	140$\frac{1}{16}$	+$\frac{1}{8}$	147	136$\frac{1}{16}$

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅞	95¾	+⅛	7.25
ABN Amro Bank 7¼ 05	1000	97¾	98	+⅛	7.75
African Dev Bk 7⅝ 23	500	93¼	93⅝		7.99
Alberta Province 7⅝ 98	1000	101⅞	102	+⅛	6.76

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	104⅞	105		4.11
United Kingdom 7¼ 97	5500	103⅞	104⅛		3.98
Volkswagen Intl Fin 7 03	1000	101¼	102⅛	+⅛	6.67
World Bank 0 15	2000	30	30¼	+⅛	6.59
World Bank 5½ 03	3000	98⅞	99⅛	+⅛	6.15

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	100⅛	100⅜	+⅛	7.99
British Land 8⅞ 23 £	150	90⅛	90½	+⅛	10.17
Denmark 6¾ 98 £	800	100⅛	100⅜	+⅛	6.61
Depfa Finance 7¾ 03 £	500	95	95⅜	+⅛	8.04
EIB 8 03 £	1000	101	101¼	+⅛	7.80

CURRENCIES AND MONEY

MARKETS REPORT

US business export fears push dollar lower

By Graham Bowley

Fears that US businesses might lobby for a weaker dollar to boost exports took the shine off the US currency on the foreign exchanges yesterday.

The pound weakened after the UK government unveiled its summer economic forecast, which, as expected, revised down projections for growth but added about £8bn to next year's public sector borrowing requirement.

The D-Mark strengthened against most other European currencies after a Bundesbank official indicated that the D-Mark's correction against the dollar may now be complete.

Concern about weakness in the Swiss economy and the expectation that monetary policy would remain relatively lax caused the Swiss franc to record some of the biggest losses against the D-Mark, although these were not large.

The Italian lira fell early in the trading session over concern that budget proposals might be delayed before the currency recovered most of its losses.

The dollar finished in London against the D-Mark at DM1.5233 from DM1.528, and against the yen at Y110.24 from Y110.9.

The Swiss franc ended unchanged against the D-Mark at 82.7 centimes. Sterling closed at DM2.3637 and $1.5517 from DM2.375 and $1.554.

■ The dollar ran into trouble early in yesterday's session following overnight reports that the chairman of Caterpillar, the US manufacturer, said that the dollar's rise to a 29-month high against the yen was "worrisome, and may require government action".

Traders said this raised some fears that the US corporate sector might bring pressure to bear on the US authorities to change policy in order to weaken the dollar.

But Mr Tony Norfield, treasury economist at ABN Amro in London, said the remarks provided a short-term excuse for investors to sell the dollar rather than any fundamental reasons to avoid the currency.

He said the dollar had been sluggish over recent sessions but that the market was surprised the currency had not fallen further given the sharp sell-off in US bond and and equity markets at the end of last week.

He said: "What we are seeing are signs of a decoupling in interest rate markets between the US and Europe. Expectations of higher interest rates in the US are supporting the dollar while promises to cut deficits in Europe are keeping downward pressure on European interest rate expectations."

Mr Chris Turner, currency analyst at BZW in London, said there was a perception in the markets that the Japanese authorities were shifting their stance on policy in favour of a stronger yen against the dollar.

He said the feeling was that the Japanese Ministry of Finance would not welcome a further weakening of the yen since this might mean they would have to raise interest rates to offset the yen's depreciation.

Research by analysts at HSBC Midland in London said the reason the dollar had not sold off in line with US asset markets was that investors were afraid of being caught off guard by a sudden and unexpected interest rate rise by the US authorities.

But they said this was not a situation which would support a strong and sustainable rally by the dollar since worries about rising inflation were bound to mount until the Federal Reserve raised rates.

"A Fed playing catch up with the markets and falling behind the curve brings back memories of 1994," the analysts say.

■ The dollar's weakness helped drag sterling lower, although there were other reasons for the pound's weakness.

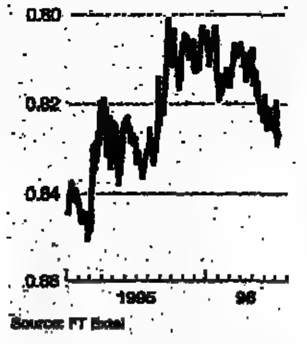
Mr Norfield said sterling interest rate markets had performed well over recent weeks after economic data showing weak inflationary pressures fuelled optimism about further interest rate cuts.

Yesterday's summer economic forecast from the British Treasury reinforced these expectations of further interest rate easing, traders said. As a result, it was a further negative factor weighing on the pound, they said.

But Mr Turner said the pound's decline was not a serious setback. He said sterling would remain strong until the UK's inflation and trade performance began to deteriorate in about a year's time.

Swiss franc

Against the D-Mark (SFr per DM)



Source: FT Extel

■ **Pound in New York**

Jul 9	---Latest---	-- Prev. close --
£ spot	1.5510	1.5540
1 mth	1.5508	1.5537
3 mth	1.5509	1.5539
1 yr	1.5557	1.5586

■ **OTHER CURRENCIES**

Jul 9	£	$
Czech Kp	42.3284 - 42.3758	27.2840 - 27.3040
Hungary	233.100 - 233.328	150.230 - 150.340
Iran	4656.00 - 4654.20	3000.00 - 3000.00
Kuwait	0.4654 - 0.4658	0.3000 - 0.3001
Poland	4.2322 - 4.2354	2.7280 - 2.7290
Russia	7947.82 - 7955.55	5120.00 - 5126.00
UAE	5.6980 - 5.7007	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.6359	-0.0789	288 - 430	16.6894	16.6186	16.6046	2.3	16.5597	2.6	-	-	104.9
Belgium	(BFr)	48.5924	-0.1966	519 - 328	48.6310	48.5500	48.5974	2.3	48.4074	2.3	47.8174	2.2	106.4
Denmark	(DKr)	9.1073	-0.0418	036 - 110	9.1393	9.1020	9.0936	1.8	9.0732	1.5	8.9654	1.6	107.4
Finland	(FM)	7.2258	-0.0173	184 - 332	7.2460	7.2180	7.2212	0.7	7.2131	0.7	-	-	83.6
France	(FFr)	8.0025	-0.0361	006 - 044	8.0264	7.9962	7.9902	1.8	7.9675	1.7	7.8741	1.6	109.0
Germany	(DM)	2.3637	-0.0109	628 - 646	2.3722	2.3612	2.3593	2.3	2.3502	2.3	2.3115	2.2	108.3
Greece	(Dr)	371.384	-1.527	235 - 533	372.610	371.019	-	-	-	-	-	-	67.9
Ireland	(I£)	0.9751	+0.0005	745 - 755	0.9756	0.9728	0.9748	0.6	0.9734	0.7	0.9689	0.6	99.5
Italy	(L)	2377.28	-10.83	943 - 613	2384.93	2376.30	2382.83	-2.5	2392.68	-2.6	2425.16	-2.0	77.0
Luxembourg	(LFr)	48.5924	-0.1966	519 - 328	48.6310	48.5500	48.5974	2.3	48.4074	2.3	47.8224	2.2	106.4
Netherlands	(Fl)	2.6523	-0.0123	515 - 535	2.6643	2.6503	2.6464	2.8	2.6344	2.7	2.5867	2.5	106.5
Norway	(NKr)	10.1137	-0.0295	071 - 203	10.1477	10.1045	10.1052	1.0	10.0882	1.0	10.0047	1.1	98.5
Portugal	(Es)	243.074	-1.037	949 - 198	243.791	242.838	243.499	-2.1	244.404	-2.2	-	-	94.7
Spain	(Pta)	198.936	-0.63	812 - 060	199.583	198.800	199.196	-1.6	199.711	-1.5	201.111	-1.1	80.5
Sweden	(SKr)	10.3685	-0.0329	587 - 782	10.4061	10.3570	10.3669	0.0	10.3669	0.0	10.3669	0.0	89.7
Switzerland	(SFr)	1.9584	-0.0071	552 - 576	1.9625	1.9535	1.9514	3.1	1.9405	3.2	1.8924	3.3	110.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	88.4
Ecu	-	1.2481	-0.0056	476 - 486	1.2517	1.2472	1.2469	1.2	1.2439	1.4	1.2305	1.4	-
SDR†	-	1.07921	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5496	-0.0025	491 - 500	1.5539	1.5490	-	-	-	-	-	-	-
Brazil	(R$)	1.5597	-0.0015	592 - 602	1.5606	1.5582	-	-	-	-	-	-	-
Canada	(C$)	2.1251	-0.0043	243 - 259	2.1504	2.1202	2.1244	0.4	2.1206	0.8	2.1127	0.6	84.2
Mexico	(New Peso)	11.8542	-0.0596	480 - 604	11.8943	11.8470	-	-	-	-	-	-	-
USA	($)	1.5517	-0.0020	514 - 520	1.5544	1.5498	1.5514	0.2	1.5515	0.1	1.5568	-0.3	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.9574	-	564 - 584	1.9696	1.9531	1.96	-1.6	1.965	-1.6	1.9903	-1.7	94.1
Hong Kong	(HK$)	12.0102	-0.0213	071 - 133	12.0312	11.9962	12.0021	0.8	11.9905	0.7	11.9707	0.3	-
India	(Rs)	54.6199	-0.1675	990 - 408	55.1480	54.2890	-	-	-	-	-	-	-
Israel	(Shk)	4.9227	-0.0208	178 - 276	4.9695	4.9167	-	-	-	-	-	-	-
Japan	(Y)	171.080	-1.19	964 - 155	172.330	170.900	170.535	5.1	168.845	5.2	162.43	5.0	132.7
Malaysia	(M$)	3.8659	-0.0066	633 - 684	3.8738	3.8632	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2559	-0.0001	543 - 575	2.2617	2.2538	2.2609	-2.7	2.2784	-2.6	2.3042	-2.1	108.5
Philippines	(Peso)	40.6313	-0.0665	691 - 934	40.6958	40.5676	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8197	-0.0096	184 - 209	5.8295	5.8129	-	-	-	-	-	-	-
Singapore	(S$)	2.1926	-0.0069	914 - 938	2.1972	2.1914	-	-	-	-	-	-	-
South Africa	(R)	6.7229	-0.0195	178 - 279	6.7400	6.7170	-	-	-	-	-	-	-
South Korea	(Won)	1257.27	-7.97	694 - 759	1265.01	1255.60	-	-	-	-	-	-	-
Taiwan	(T$)	42.8116	-0.1092	258 - 973	42.9066	42.7243	-	-	-	-	-	-	-
Thailand	(Bt)	39.4297	-0.1037	058 - 515	39.5200	39.4050	-	-	-	-	-	-	-

† Rates for Jul 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J P Morgan index
Europe													
Austria	(Sch)	10.7211	-0.0313	186 - 235	10.7430	10.7100	10.7016	2.2	10.6596	2.3	10.4761	2.3	104.7
Belgium	(BFr)	31.3800	-0.075	600 - 000	31.4300	31.2550	31.325	2.1	31.21	2.2	30.67	2.3	106.1
Denmark	(DKr)	5.8693	-0.0172	680 - 705	5.8823	5.8574	5.8618	1.5	5.8449	1.7	5.7758	1.8	106.7
Finland	(FM)	4.6568	-0.0035	528 - 603	4.6655	4.6479	4.6501	1.7	4.6381	1.8	4.5926	1.4	82.9
France	(FFr)	5.1573	-0.0147	570 - 575	5.1678	5.1544	5.1504	1.6	5.1361	1.6	5.0663	1.7	108.6
Germany	(DM)	1.5233	-0.0045	230 - 235	1.5267	1.5224	1.5208	2.0	1.5151	2.2	1.4868	2.4	107.6
Greece	(Dr)	239.340	-0.59	290 - 390	239.630	239.250	241.015	-8.4	244.365	-8.4	258.34	-7.9	67.4
Ireland	(I£)	1.5913	-0.0035	908 - 918	1.5959	1.5900	1.5918	-0.4	1.5927	-0.4	1.5843	0.4	-
Italy	(L)	1532.05	-4.45	180 - 230	1536.20	1531.37	1536.8	-3.7	1544.55	-3.4	1567.7	-2.3	76.6
Luxembourg	(LFr)	31.3800	-0.075	600 - 000	31.4300	31.2550	31.327	2.0	31.2205	2.0	30.74	2.0	106.1
Netherlands	(Fl)	1.7094	-0.0051	091 - 097	1.7156	1.7069	1.7061	2.4	1.6989	2.4	1.6672	2.5	106.0
Norway	(NKr)	6.5176	-0.0083	148 - 206	6.5348	6.5039	6.5149	0.5	6.5093	0.5	6.4729	0.7	97.9
Portugal	(Es)	156.650	-0.41	600 - 700	156.930	156.580	156.965	-2.4	157.555	-2.3	159.7	-1.9	94.7
Spain	(Pta)	128.205	-0.185	150 - 260	128.450	128.110	128.455	-2.3	128.885	-2.1	130.425	-1.7	80.2
Sweden	(SKr)	6.6820	-0.0147	770 - 870	6.6989	6.6770	6.6931	-2.0	6.7105	-1.7	6.7525	-1.1	89.2
Switzerland	(SFr)	1.2608	-0.0025	503 - 513	1.2635	1.2585	1.2572	3.4	1.2498	3.5	1.2163	3.5	109.6
UK	(£)	1.5517	-0.0026	514 - 520	1.5544	1.5498	1.5514	0.2	1.5515	0.1	1.5583	-0.3	86.3
Ecu	-	1.2433	+0.0036	430 - 435	1.2457	1.2408	1.2441	-0.7	1.2457	-0.8	1.2546	-0.9	-
SDR†	-	0.69505	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0002	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0052	+0.0007	050 - 053	1.0066	1.0044	-	-	-	-	-	-	-
Canada	(C$)	1.3695	-0.0005	690 - 695	1.3718	1.3680	1.3694	0.1	1.3687	0.0	1.3725	-0.2	83.6
Mexico	(New Peso)	7.6395	-0.026	370 - 420	7.6420	7.6320	7.801	-25.4	7.998	-18.1	8.7495	-27.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2614	+0.0021	610 - 618	1.2630	1.2602	1.2634	-1.9	1.2669	-1.7	1.2856	-1.9	95.9
Hong Kong	(HK$)	7.7400	-0.001	395 - 405	7.7410	7.7395	7.7407	-0.1	7.7425	-0.1	7.7695	-0.4	-
India	(Rs)	35.2000	-0.05	000 - 000	35.4900	35.0000	35.35	-5.1	35.655	-5.2	37.125	-5.5	-
Israel	(Shk)	3.1725	-0.0081	699 - 750	3.1960	3.1680	-	-	-	-	-	-	-
Japan	(Y)	110.240	-0.585	200 - 280	110.910	110.190	109.795	4.8	108.895	4.9	105.155	4.6	132.4
Malaysia	(M$)	2.4920	-0.0015	915 - 925	2.4935	2.4910	2.4929	-0.4	2.499	-1.1	2.5225	-1.2	-
New Zealand	(NZ$)	1.4557	+0.0023	531 - 545	1.4580	1.4530	1.4589	-2.6	1.4626	-2.4	1.4872	-2.3	-
Philippines	(Peso)	26.1950	-	500 - 200	26.2200	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7508	3.7504	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4130	-0.0015	125 - 135	1.4148	1.4125	1.4095	3.0	1.4035	2.7	1.378	2.5	-
South Africa	(R)	4.3325	-0.0055	300 - 350	4.3390	4.3300	4.36	-13.2	4.47	-12.7	4.8075	-11.0	-
South Korea	(Won)	810.250	-3.8	200 - 300	814.500	810.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.5900	-0.025	400 - 400	27.6400	27.5300	27.595	-0.2	27.6	-0.1	-	-	-
Thailand	(Bt)	25.4100	-0.025	000 - 200	25.4310	25.4000	25.5087	-4.7	25.7125	-4.8	26.595	-4.7	-

† SDR rate per $ for Jul 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 8: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅜	3¼	3½	7.00	2.50	-
week ago	3⅜	3¼	3⅜	3¼	3⅝	7.00	2.50	-
France	3⅝	3⅝	3⅝	[illegible]	4⅛	3.60	-	5.60
week ago	3¾	3⅝	3⅝	4	4⅛	3.60	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
week ago	3⅜	3¼	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	5⅜	5¼	5⅜	5½	5⅝	-	-	6.25
week ago	5⅝	5⅜	5⅜	5⅜	5⅝	-	-	6.25
Italy	8¾	8⅝	8⅝	8⅝	8¾	-	9.00	9.30
week ago	8½	8⅝	8½	8⅜	8⅛	-	9.00	9.30
Netherlands	3	2⅞	2⅞	3⅛	3¼	-	3.00	3.30
week ago	2¾	2⅞	2⅞	3⅛	3⅛	-	3.00	3.30
Switzerland	2½	2⅜	2⅜	2⅜	2⅝	5.00	1.50	-
week ago	2⅜	2⅜	2⅜	2⅜	2¾	5.00	1.50	-
US	5⅛	5⅜	5⅝	5⅞	6¼	-	5.00	-
week ago	5⅜	5⅜	5⅝	5⅞	6	-	5.00	-
Japan	½	½	½	⅝	1⅛	-	0.50	-
week ago	½	½	½	⅝	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5½	5⅝	5⅞	6⅜	-	-	-
week ago	-	5½	5⅝	5⅞	6¼	-	-	-
US Dollar CDs	-	5.20	5.35	5.53	5.93	-	-	-
week ago	-	5.20	5.32	5.49	5.72	-	-	-
ECU Linked Ds	-	4¼	4⅛	4¼	4⅜	-	-	-
week ago	-	4¼	4⅛	4⅛	4⅜	-	-	-
SDR Linked Ds	-	3⅝	3⅜	3⅝	3⅞	-	-	-
week ago	-	3⅝	3⅜	3⅝	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅝ - 3½
Danish Krone	3⅞ - 3⅝	7½ - 7¼	3⅞ - 3¾	3¾ - 3⅝	4⅛ - 3⅞	4⅜ - 4¼
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3¾
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	3 - 2⅞	3¼ - 3⅛	3⅝ - 3½
French Franc	3⅞ - 3⅝	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞	4⅜ - 4¼
Portuguese Esc.	7½ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7½ - 7⅜	7⅝ - 7½
Spanish Peseta	7⅜ - 7¼	7½ - 7⅜	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7½ - 7⅜
Sterling	5⅞ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	6 - 5⅞
Swiss Franc	2½ - 2⅜	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2⅝ - 2½	3 - 2⅞
Can. Dollar	4¾ - 4⅝	4¾ - 4⅝	4¾ - 4⅝	4⅞ - 4¾	5⅛ - 4⅞	5⅜ - 5¼
US Dollar	5¼ - 5	5¼ - 5	5½ - 5⅜	5⅝ - 5½	5⅞ - 5¾	6¼ - 6⅛
Italian Lira	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾
Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½	1 - ⅞
Asian $Sing	2⅝ - 2½	2⅞ - 2¾	3 - 2⅞	3⅛ - 3	3¼ - 3⅛	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.93	95.94	+0.01	95.96	95.91	13,010	69,497
Dec	95.72	95.75	+0.02	95.78	95.71	8,121	44,883
Mar	95.50	95.52	+0.02	95.53	95.49	3,010	26,132

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.52	96.54	+0.02	96.56	96.52	18572	197067
Dec	96.30	96.33	+0.05	96.36	96.27	35100	202393
Mar	95.93	95.98	+0.05	96.01	95.92	24378	190210
Jun	95.55	95.60	+0.07	95.62	95.53	16891	113407

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.69	91.76	-0.04	91.80	91.70	21770	60821
Dec	92.21	92.16	-0.08	92.25	92.10	7441	35300
Mar	92.32	92.32	-0.04	92.39	92.21	1569	20739
Jun	92.27	92.29	-0.01	92.35	92.23	560	11306

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.22	97.23	+0.02	97.25	97.20	5586	37367
Dec	97.04	97.04	+0.02	97.05	97.00	1955	22154
Mar	96.84	96.83	+0.01	96.84	96.82	165	9499
Jun	96.62	96.58	+0.01	96.62	96.56	235	1501

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.13	99.13	+0.02	99.13	99.12	40	n/a
Dec	98.73	98.74	+0.02	98.74	98.73	584	n/a
Mar	98.42	98.42	+0.01	98.42	98.42	50	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.53	95.54	+0.01	95.54	95.50	809	7323
Dec	95.37	95.40	+0.03	95.40	95.37	510	4985
Mar	95.11	95.14	+0.04	95.14	95.11	120	2985
Jun	94.81	94.84	+0.04	94.82	94.81	109	2357

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.70	16.44	4.855	2.002	4882	5.449	20.78	498.3	408.5	21.30	4.017	2.054	4.364	3.188	351.4	2.563
Denmark	(DKr)	53.48	10	8.788	2.596	1.071	2610	2.913	11.10	266.9	218.4	11.39	2.148	1.098	2.333	1.704	187.9	1.370
France	(FFr)	60.84	11.38	10	2.954	1.218	2970	3.316	12.63	303.8	248.5	12.96	2.444	1.250	2.655	1.939	213.8	1.559
Germany	(DM)	20.60	3.852	3.385	1	0.412	1005	1.122	4.277	102.8	84.14	4.387	0.827	0.423	0.899	0.657	72.38	0.528
Ireland	(I£)	49.94	9.341	8.208	2.426	1	2438	2.721	10.37	249.3	204.0	10.64	2.006	1.026	2.179	1.592	175.5	1.280
Italy	(L)	2.048	0.383	0.337	0.099	0.041	100	0.112	0.425	10.23	8.368	0.436	0.082	0.042	0.089	0.065	7.198	0.053
Netherlands	(Fl)	18.35	3.433	3.017	0.891	0.368	896.0	1	3.811	91.63	74.97	3.909	0.737	0.377	0.801	0.585	64.48	0.470
Norway	(NKr)	48.16	9.006	7.916	2.338	0.964	2351	2.624	10	240.5	196.7	10.26	1.935	0.989	2.102	1.535	169.2	1.234
Portugal	(Es)	20.05	3.746	3.292	0.972	0.401	977.8	1.091	4.159	100	81.82	4.266	0.805	0.411	0.874	0.638	70.38	0.513
Spain	(Pta)	24.48	4.579	4.024	1.189	0.490	1195	1.334	5.083	122.2	100	5.214	0.983	0.503	1.068	0.780	86.02	0.627
Sweden	(SKr)	46.95	8.782	7.717	2.280	0.940	2292	2.558	9.749	234.4	191.8	10	1.886	0.964	2.049	1.497	165.0	1.203
Switzerland	(SFr)	24.89	4.656	4.092	1.209	0.498	1215	1.356	5.169	124.3	101.7	5.302	1	0.511	1.086	0.793	87.47	0.638
UK	(£)	48.69	9.107	8.003	2.364	0.975	2377	2.653	10.11	243.1	198.9	10.37	1.956	1	2.125	1.552	171.1	1.248
Canada	(C$)	22.91	4.285	3.766	1.112	0.459	1119	1.248	4.758	114.4	93.60	4.880	0.920	0.471	1	0.730	80.52	0.587
US	($)	31.37	5.868	5.157	1.523	0.628	1532	1.709	6.514	156.6	128.2	6.682	1.260	0.644	1.369	1	110.2	0.804
Japan	(Y)	28.46	5.323	4.677	1.382	0.570	1389	1.551	5.909	142.1	116.2	6.061	1.143	0.584	1.242	0.907	100	0.729
Ecu		39.01	7.297	6.413	1.894	0.781	1905	2.126	8.101	194.8	159.4	8.309	1.567	0.801	1.703	1.244	137.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6579	0.6588	+0.0009	0.6597	0.6576	13,836	65,401
Dec	0.6628	0.6629	+0.0010	0.6633	0.6627	100	2,062
Mar	-	0.6682	-	-	-	23	311

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7958	0.7977	+0.0020	0.7990	0.7958	10,263	37,499
Dec	0.8037	0.8034	+0.0017	0.8047	0.8034	61	1,228
Mar	-	0.8097	+0.0015	0.8097	-	37	95

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9112	0.9132	+0.0018	0.9145	0.9101	17,586	79,918
Dec	0.9253	0.9246	+0.0015	0.9254	0.9246	158	3,843
Mar	-	0.9348	-	-	-	32	135

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5536	1.5514	-0.0018	1.5540	1.5495	42,008	60,359
Dec	1.5516	1.5526	-0.0020	1.5526	1.5516	6	1,096
Mar	-	1.5540	-0.0026	-	1.5540	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jul 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 4	5⅞ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	6⅛ - 5⅞
Sterling CDs	-	-	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	6 - 5⅞
Treasury Bills	-	-	5⅝ - 5½	5⅝ - 5½	-	-
Bank Bills	-	-	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	-
Local authority deps.	5¾ - 5½	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 - 5⅞
Discount Market deps	5¾ - 5½	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Jul 5, 5.4817pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.935pc. Finance House Base Rate 6pc from Jul 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.29	+0.02	94.32	94.28	16440	88184
Dec	94.16	94.19	+0.05	94.21	94.15	26083	84501
Mar	93.82	93.86	+0.06	93.88	93.81	15874	59968
Jun	93.36	93.41	+0.08	93.42	93.35	6134	43146
Sep	92.93	92.99	+0.07	93.01	92.93	3578	29213

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.11	0.17	0.16	0.07	0.23	0.55
9450	0.03	0.07	0.09	0.24	0.38	0.73
9475	0.01	0.03	0.05	0.47	0.59	0.94

Est. vol. total, Calls 4309 Puts 15876. Previous day's open int., Calls 124145 Puts 94892

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	5.75	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Jul 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.202	-0.124	-0.79	3.10	8
Ireland	0.792214	0.789482	+0.003292	-0.34	1.64	2
Netherlands	2.15214	2.14848	-0.00057	-0.12	1.41	1
Belgium	39.3960	39.4426	-0.0174	0.12	1.17	-1
Germany	1.91007	1.91494	-0.00164	0.25	1.03	-3
Austria	13.4383	13.4769	-0.0112	0.29	1.00	-2
Portugal	195.792	196.874	-0.066	0.55	0.73	-4
France	6.40608	6.48327	-0.00312	1.20	0.08	-10
Denmark	7.28580	7.37946	+0.00029	1.29	0.00	-9
NON ERM MEMBERS						
Greece	292.867	300.835	-0.253	2.72	-1.40	-
Italy	2106.15	1928.04	-0.03	-8.46	10.64	-
UK	0.786652	0.810142	+0.003261	2.99	-1.65	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.520	3.19	3.36	3.64	0.03	0.15	0.42
1.530	2.34	2.54	2.89	0.04	0.32	0.67
1.540	1.28	1.87	2.28	0.09	0.60	1.00
1.550	0.50	1.27	1.71	0.20	0.98	1.42
1.560	0.14	0.80	1.24	0.77	1.32	1.96

Previous day's vol., Calls 1,425 Puts 1,717. Prev. day's open int., Calls 159,398 Puts 133,020

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.07	94.08	+0.01	94.10	94.07	89,528	406,162
Dec	93.69	93.70	+0.01	93.73	93.69	111,544	411,525
Mar	93.49	93.50	+0.02	93.53	93.49	101,824	289,079

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.62	94.60	+0.02	94.62	94.60	421	5,957
Dec	94.32	94.32	+0.00	94.33	94.32	43	1,627
Mar	-	94.09	-	-	-	21	96

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9650	0.05	0.08	0.11	0.09	0.01	0.04	0.07	0.28
9675	0	0.01	0.02	0.03	0.21	0.22	0.23	0.45
9700	0	0	0	0.01	0.46	0.46	0.46	0.68

Est. vol. total, Calls 3833 Puts 5853. Previous day's open int., Calls 283695 Puts 308188

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9725	0.13	0.13	0.14	0.15	0.34	0.56
9750	0.04	0.05	0.07	0.31	0.51	0.74

Est. vol. total, Calls 5 Puts 0. Previous day's open int., Calls 6185 Puts 4925

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9175	0.24	0.63	0.83	0.21	0.20	0.26
9200	0.14	0.48	0.67	0.36	0.30	0.35
9225	0.07	0.33	0.51	0.54	0.40	0.44

Est. vol. total, Calls 2160 Puts 400. Previous day's open int., Calls 39426 Puts 19212

LEGAL NOTICES

PURSUANT TO VOLUNTARY LIQUIDATION IN THE CAYMAN ISLANDS OF THE FOLLOWING NAMED 11 MUTUAL FUNDS REGULATED UNDER THE MUTUAL FUNDS LAW OF THE CAYMAN ISLANDS AND THEIR MUTUAL FUND MANAGERS.

American Real Estate Growth Fund Limited,
Anchorage International Fund Limited, Argentina Income & Growth Fund Limited,
Argentina Income & Growth Fund Manager Limited, Brazilian Growth Fund Limited,
Brazilian Growth Fund Manager Limited, Connecticut Fund Manager Limited,
Dome Investment Fund Limited, Guardian Credit Fund Limited,
Liberty Fund Manager Limited, Metropolitan Real Estate Fund,
Mexico Capital Fund Limited, Mexico Capital Fund Manager Limited,
Pacific Rim Fund Limited, Pacific Rim Fund Manager Limited,
Providence Fund Manager Limited, Stanford Fund Manager Limited,
Strategic Investment Fund Limited, Venezuela and Latin America Fund Limited,
Venezuela and Latin America Fund Manager Limited

TAKE NOTICE THAT: creditors (if any) of the above named companies are required, on or before July 31, 1996, to send full particulars of their debts or claims to the Joint Liquidators of the above named Cayman Islands regulated mutual funds and mutual fund managers.

In default thereof such creditors will be excluded from the benefit of any distributions from the said companies made before such debts are proved.

This Notice is issued by Mr Christopher D Johnson and Alan J Davies of Coopers & Lybrand, Cayman Islands, Joint Liquidators.

The address of the Joint Liquidators is:
c/o Coopers & Lybrand, PO Box 219, George Town, Grand Cayman, Cayman Islands, British West Indies. Telephone: # 809 949-7000, Fax: # 809 947-4237

COMMODITIES AND AGRICULTURE

Experts urge easing of Canada's grain monopolies

By Bernard Simon in Toronto

Canadian wheat farmers should be allowed to sell part of their crop at prevailing market prices rather than through the Canadian Wheat Board's pool system, a government-appointed group of experts urged in a report released yesterday.

The recommendation is one of several significant reforms to Canada's grain marketing system proposed by the group, which was set up in the wake of growing criticism of the Wheat Board's 61-year-old monopoly. Other proposals include the total abolition of the board's monopoly on feed barley, thereby freeing farmers to sell their production on the open market.

In addition, the wheat board, which is among the world's biggest grain exporters, would be reorganised to make it more accountable to farmers. The changes would include a majority of directors elected by producers, and a chief executive officer reporting to the directors.

The board's commissioners are at present appointed by the government. Since its creation in 1935 it has been the sole marketing agency for all wheat, oats and barley grown on the Canadian prairies for human consumption.

Canada's wheat exports totalled 20.4m tonnes and barley exports 4.2m tonnes in the 1994-95 season

Supporters contend that the board has helped farmers by providing price stability through its annual "pooling" or price-averaging system supported by delivery quotas. It has a global marketing network matched only by the big US and European grain companies.

However, a growing band of critics, led by a vocal group of farmers in Alberta, maintains that farmers can do better by selling their own harvest, especially in the lucrative US market. Several farmers have flouted the rules in recent years by trucking their crop across the border. The board has also been widely criticised for the secrecy of its marketing and pricing practices.

The government has yet to decide whether to implement the group of experts' recommendations. Mr Ralph Goodale, agriculture minister, said yesterday he intended to move as quickly as possible. Public comments have been invited up to the end of August.

The group, chaired by Mr William Molloy, a Saskatchewan lawyer, said it encountered "a deep and fundamental division" among farmers on the present grain marketing system.

The report said the current system had "significant advantages" that should be retained for the bulk of the wheat crop.

But farmers should have the option of selling part of their crop outside the pool through the use of spot and forward cash prices offered by the board on the basis of prevailing levels on the Minneapolis and Winnipeg commodity exchanges.

In the case of feed barley, the report said the industry would be better served by introducing more radical changes. Under its proposals, all grain companies as well as the Wheat Board would be free to buy and sell. The board would maintain its monopoly for malting barley.

The report said many witnesses expressed concern about "the image of Canada as an unreliable supplier of grain in the eyes of foreign customers". In an effort to improve this image, it urged the government to tighten the rules on strikes and lockouts in the grain handling and transport system, including greater freedom for employers to replace workers on strike.

New doubt raised over Queensland zinc mine

By Bruce Jacques in Sydney

The row over development of the A$1.14bn (US$900m) RTZ-CRA Century zinc mine in the Australian state of Queensland, has continued this week with key tribal leaders claiming local aborigines had voted overwhelmingly against the project.

Mr Murrandoo Yanner, co-ordinator of the Carpentaria Land Council, said a meeting of 22 aboriginal leaders on Thursday last week had voted unanimously to reject the project.

Mr Yanner said this vote rendered invalid claims by both RTZ-CRA and the Queensland Government that an earlier poll had gone in favour of the development 12-11. He said tribal leaders had been confused at the earlier vote, which the company and the government had since portrayed as a definite go-ahead.

The chairman of the United Gulf Aboriginal Regional Corporation, Mr Clarence Waldon, supported Mr Yanner, claiming the media and the Australian Prime Minister, Mr John Howard, had set out to divide and rule aboriginal people.

Earlier, Mr Howard had described the development of Century as "a win-win" situation. He said there was a great desire "by sensible people" to see Century succeed. "Some people on the fringes are making careless statements," he said.

Mr Yanner also made sweeping claims of bribery, corruption and racism against RTZ-CRA and the Queensland and Federal governments and called for a senate inquiry into the matter. He also accused the ATSIC aboriginal representative body of undermining land rights.

But RTZ-CRA and the Queensland Premier, Mr Bob Borbidge later dismissed the claims, and the Queensland government continued with the formulation of new legislation to facilitate the project.

The managing director of Century Zinc, Mr Ian Williams, also said on Monday that he did not believe any basis existed for a High Court challenge to legislation enabling the mine to proceed.

The Queensland government is also embroiled in a controversy over a plan by the RTZ-CRA subsidiary Comalco to build a A$4.5bn alumina refinery – potentially the world's largest – in the state.

The state's Labour deputy opposition leader, Mr Jim Elder, claimed Comalco had already decided to shelve the project because the government had failed to negotiate with it effectively. He claimed Comalco was now looking at sites in Malaysia for the refinery.

Mr Borbidge said negotiations with Comalco were continuing, but the company was "driving a hard bargain" on tax concessions and sale of electricity. A statement from Comalco said the company had made no decision on the refinery.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-4,950	to 899,675
Aluminium alloy	+460	to 95,380
Copper	-7,750	to 233,850
Lead	+1,575	to 95,975
Nickel	-252	to 32,148
Zinc	-950	to 565,075
Tin	+25	to 10,730

Caribbeans try new banana war strategy

Leaders are frustrated following the US rejection of their truce call, writes Canute James

Following the rejection by US president Bill Clinton of an appeal for a truce in the Great Banana War, Caribbean producers are seeking a more direct path to resolving the row over access to the European market. The region's leaders appear slightly angry and increasingly frustrated that the US administration is being inflexible on the matter.

They will hold talks with Latin American producers in October. The meeting is being convened by Mr Oscar Arias, a former president of Costa Rica, and will seek a solution to the quarrel over the European Union's import regime.

The move by the Caribbeans for direct negotiations with Latin American exporters suggests that the islands are running out of options in countering what many leaders say is a threat to several banana dependent economies. As members of the African, Caribbean and Pacific (ACP) group, the Caribbean producers have preferential access to the European Union market. Latin American producers, whose access is controlled by quotas, claim this is discriminatory.

The Caribbeans were hoping for a comforting reply to their letter to President Clinton, a few days before the filing of a complaint to the World Trade Organisation against the EU regime. The complaint is being supported by Ecuador, Guatemala, Honduras and Mexico.

"We have sought and have used every opportunity to try to ascertain from your trade representative and his officials the real nature of the US' concerns with the European Union's banana import regime," the Caribbean leaders told the president.

Such clarification was needed, they claimed, "especially since the US is not an exporter of bananas and two of the three US banana marketing companies have increased substantially their share of the EU market in recent years. Our efforts have not only been unsuccessful, but each demarche has been followed by an escalation of action by the US trade representative".

President Clinton told the producers that "the US does not intend to take action that would hurt the economies and democracies of these Caribbean nations, which depend on banana exports for a large share of their income". He added, however: "We cannot accept certain discriminatory and unnecessarily restrictive regulations that the EU is using to implement its banana regime. I would welcome your suggestions on the most effective way to discuss alternatives to the current EU banana regime".

'We have told the US that it is wrong for it to affect our livelihood while cutting aid to us'

Mr Clinton's position took the matter no further, said Mr Edison James, the prime minister of Dominica, one of the four Windward Islands of the eastern Caribbean which are the main source of Britain's banana imports.

"The president's reply does not tell us what is the alternative to the EU regime," complained the prime minister. "He says we must find the alternative, but we are comfortable with the EU regime. We have told the US that it is wrong for it to affect our livelihood while cutting aid to us. The US must stop hurting us and allow us to earn our livelihood."

The Caribbean producers have been further depressed by the decision of the EU's banana management committee to increase the quota for non-traditional, mainly Latin American, exporters from 2.2m tonnes to 2.55m tonnes. Mr Percival Patterson, Jamaica's prime minister, contended that this was a result of persistent US pressure on the EU's banana import regime and was meant by Brussels to mollify the Americans. There are negative implications for prices to the ACP producers, he said.

Caribbean leaders are hoping that the October meeting with the Latin American producers, which will be at ministerial level, will be attended by those countries that are supporting the complaint to the WTO. "We are hoping that they will all attend," said Mr Manuel Esquivel, the prime minister of Belize.

Government officials have spoken of "contacts" with Ecuador and Mexico, and of a "willingness to seek dialogue". The Caribbean leaders appear to be hoping for a softening of positions which would make worthwhile the planned conference.

"The meeting will seek a solution through dialogue to this problem over the EU banana market," said Mr Esquivel. "Hopefully this will provide the basis for a challenge to the complaint at the WTO."

There is no indication, however, that the Caribbean producers will be making any concessions. They maintain that severe economic damage will be done to the region's economies if the preferences are dismantled and the market is opened. The smaller farms on hilly land and higher wages to farm labour in the Caribbean make the island's fruit more expensive than that of Latin America's large plantations. The ACP group produces about 3 per cent of the world's bananas, according to the Caribbean producers.

"Regrettably, we do not have the resources for the lobbying and to fight this matter at the WTO," said Mr James. "But it is important for us to fight to keep our market because of we lose the banana business it will be a setback for the entire region."

MARKET REPORT

Copper prices settle in mid-range

COPPER prices finished a choppy day on the London Metal Exchange slightly lower yesterday, but settled roughly midway between the day's low of $1,895 and the high around $1,960 a tonne.

The three months delivery position was down $8 at $1,925 a tonne, after persistent selling pressure during the morning session met light buying during the afternoon.

The cash maintained a premium of around $60 over three months.

News of a 7,750-tonne draw-down from LME warehouse stocks was more than most traders had expected, and gave values an early boost. But follow-through buying was slow to emerge.

Three months ALUMINIUM edged back $2 to $1,501 a tonne after dipping below the $1,500 level twice during the day. The market looked technically vulnerable, with a test of key support at $1,480 likely soon, traders said.

At the London Bullion Market precious metals pushed higher in the afternoon, supported by news of mounting strike-related losses at the world's biggest platinum mine.

The GOLD price made an attempt at clearing the $383-a-troy-ounce resistance level and fixed at $382.90 an ounce, compared with $381.00 in the morning.

PLATINUM also posted gains on short-covering, erasing Monday's losses and ending a period of weakness that had been infecting the rest of the precious metals complex.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1485-86	1502-03
Previous	1487-88	1504-05
High/low	1483.5	1507/1494
AM Official	1483.5-84.0	1501-501.5
Kerb close		1501-2
Open int.	237,939	
Total daily turnover	43,406	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1245-50	1280-85
Previous	1245-50	1280-85
High/low		1283
AM Official	1248-50	1280-85
Kerb close		1280-85
Open int.	5,487	
Total daily turnover	623	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	791-2	794-5
Previous	788-9	793-4
High/low	790	797/792
AM Official	790-90.5	793.5-94.0
Kerb close		794-5
Open int.	32,452	
Total daily turnover	6,161	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7475-85	7590-95
Previous	7520-30	7630-40
High/low		7660/7530
AM Official	7450-60	7565-70
Kerb close		7565-70
Open int.	41,851	
Total daily turnover	10,105	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6305-15	6385-90
Previous	6365-80	6396-98
High/low		6405/6370
AM Official	6330-40	6382-83
Kerb close		6360-70
Open int.	16,336	
Total daily turnover	5,278	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1005.5-6.5	1033-34
Previous	1004.5-5.5	1032-33
High/low	1005/1004.5	1035/1031
AM Official	1004.5-5.0	1032-32.5
Kerb close		1032-3
Open int.	89,145	
Total daily turnover	12,402	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1978-83	1923-25
Previous	1993-98	1935-36
High/low		1960/1894
AM Official	1985-90	1928-30
Kerb close		1924-25
Open int.	199,463	
Total daily turnover	66,624	

■ LME AM Official £/$ rate: 1.5510
LME Closing £/$ rate: 1.5523

Spot: 1.5501 3 mths: 1.5499 6 mths: 1.5515 9 mths: 1.5534

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	91.95	+0.25	92.50	90.70	691	4,518
Aug	91.30	+0.10	91.40	90.10	91	2,168
Sep	90.80	+0.25	91.40	89.10	5,007	19,487
Oct	90.40	+0.25	90.80	90.80	84	1,258
Nov	90.10	+0.15	90.20	90.30	93	1,072
Dec	89.85	+0.30	90.20	88.20	1,812	11,980
Total					8,114	86,779

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.70-383.10		
Opening	380.90-381.30		
Morning fix	381.00	245.30	480.060
Afternoon fix	382.90	246.603	482.531
Day's High	383.60-384.00		
Day's Low	380.90-381.30		
Previous close	381.70-382.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.25	6 months	4.10
2 months	4.20	12 months	4.00
3 months	4.15		

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.00	507.30
3 months	331.00	513.75
6 months	325.00	520.50
1 year	342.90	534.00

Gold Coins	$ price	£ equiv.
Krugerrand	382.5-385.5	246-248
Maple Leaf	390.60-393.10	
New Sovereign	87-89	56-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	382.7	+1.5	-	-	10	10
Aug	383.5	+1.4	385.0	381.7	21,480	87,718
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	110.55	+0.55	110.60	110.00	25	143
Sep	109.90	[illegible]	110.00	109.90	24	402
Nov	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,820-2,920 (2,800-2,900). Bismuth: min. 99.99%, tonne lots 3.20-3.70. Cadmium: min. 99.95%, 90-100 (85-95) cents a pound. Cobalt: MB free market, 99.8%, 23.50-24.50 (24.00-25.00); 99.3%, 21.90-22.90 (22.50-23.50). Mercury: min. 99.99%, $ per 76 lb flask, 162-175. Molybdenum: drummed molybdic oxide, 3.35-3.55. Selenium: min 99.5%, 3.05-4.40. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif. 52-62. Vanadium: min. 98%, cif, 3.00-3.10. Uranium: Nuexco exchange value, 15.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1035	-9	1050	1042	101	741
Sep	1051	-16	1069	1046	846	43,233
Dec	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						
May	120.30	+2.50	120.00	120.00	9	200
Total					1,326	18,102

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 9	Jul 8	month ago	year ago
2002.8	1996.3	2091.5	2262.9

■ CRB Futures (Base: 1967=100)

Jul 8	Jul 5	month ago	year ago
248.29	247.73	na	na

■ GSCI Spot (Base: 1970=100)

Jul 8	Jul 5	month ago	year ago
207.57	207.89	204.47	171.85

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.075	+0.350	67.125	66.625	5,679	35,123
Oct	69.125	+0.100	69.200	68.600	3,821	27,034
[illegible]						
Feb	77.025	+0.125	77.100	76.500	315	2,174
Apr	74.975	-0.275	75.150	74.800	39	600
Total					12,768	96,397

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	81.400	-1.725	83.000	81.175	1,788	1,818
Aug	78.300	-2.000	79.800	78.300	1,729	3,495
Feb	79.025	-2.000	80.900	79.025	466	1,128
Mar	79.700	-2.000	81.700	81.650	15	58
May	80.975	-2.000	81.000	80.975	5	66
Total					4,000	6,670

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	104	147	10	23
1500	40	84	45	66
1600	10	42	114	113
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	211	215	62	104
1900	153	164	102	151
2000	105	125	155	207
■ COFFEE LCE	Sep	Nov	Sep	Nov
1650	108	124	65	152
1700	86	106	123	164
1750	69	90	156	218
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	64	88	15	46
1025	53	73	27	60
1050	40	61	39	73
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1900	40	-	12	63
1950	13	-	24	94
2000	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.85-7.96	+0.165
Brent Blend (dated)	$19.70-9.72	+0.085
Brent Blend (Aug)	$19.45-9.47	+0.085
W.T.I.	$21.30-1.32w	-0.015

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$215-217	+1.5
Gas Oil	$176-177	-4
Heavy Fuel Oil	$87-89	
Naphtha	$185-187	+1.5
Jet fuel	$198-199	-3.5
Diesel	$179-180	-1

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	13.30-13.70	+0.125

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

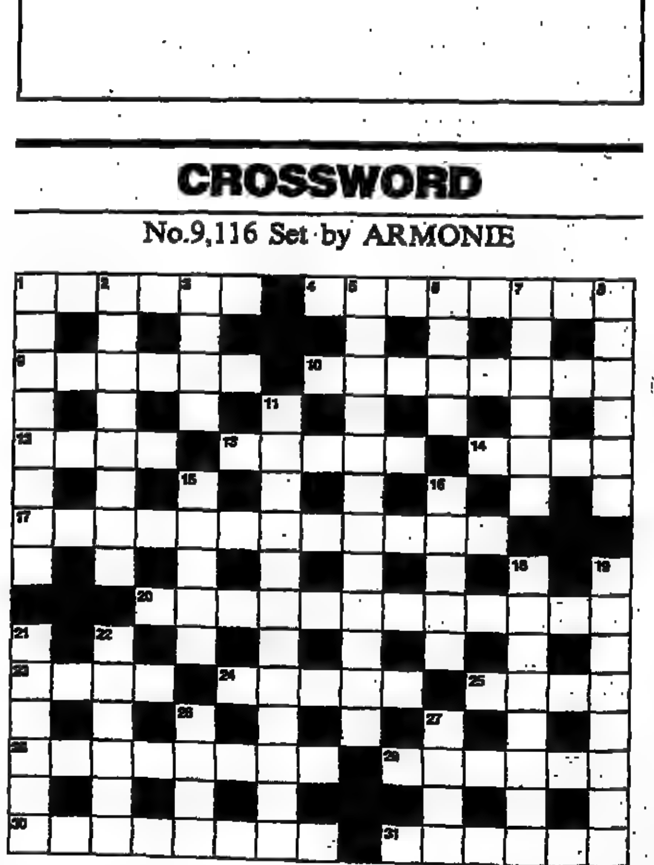
Gold (per troy oz)♣	$382.90	+1.00
Silver (per troy oz)♣	511.50c	+2.00
Platinum (per troy oz.)	$390.50	+0.50
Palladium (per troy oz.)	$130.00	-0.75
Copper	95.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.60r	-0.06
Tin (New York)	297.50	-1.00
Cattle (live weight)	101.01p	-0.72*
Sheep (live weight)	112.29p	+0.76*
Pigs (live weight)†	121.99p	-0.94*
Lon. day sugar (raw)	$317.90	+6.60
Lon. day sugar (wte)	$388.00	-1.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	91.50p	-1.50
Rubber (Sep)♥	91.50p	-1.50
Rubber (KL RSS No1)	335.50m	-2.5
Coconut Oil (Phil)§	815.0w	-10.0
Palm Oil (Malay.)§	$470.0z	-2.5
Copra (Phil)§	$525.0w	
Soyabeans (US)	211.0	+2.0
Cotton Outlook 'A' index	79.65c	+0.20
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug. w Jul/Aug. z Jul/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 454 head of pigs sold.

JOTTER PAD

CROSSWORD

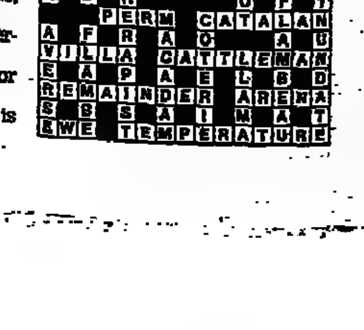
No.9,116 Set by ARMONIE



ACROSS
1, 4 Financial authorisation provided by reputable landlord? (6,2,6)
9 The last of Thanksgiving bird is carved (6)
10 I am let out at any time, being respectful (8)
12 Leftwinger pierced by point of instrument (4)
13 Will I ever divulge the composer's name? (5)
14 She received a prolific, but fated, swimmer – her love (4)
17 Behave stupidly giving a crazy cook a fillet (3,4,1,4)
20 Soldier intends to obtain financial independence (7,5)
23 Peaceful flat (4)
24 Fruit found in SE China (5)
25 A visitor, not a good man, shows symptoms of illness (4)
28 Ted Price is ailing and run-down (8)
29 Arranged introduction of former model band (6)
30 Sally transplanted pear tree (8)
31 Girl coming out meets teacher returning rubbish (6)

DOWN
1 A ball in a hole, for example, on the train (3,5)
2 Make fun of an item of underwear during evaluation (8)
3 Lumberjack's lost opener for water container (4)
5 For a botanist the meadow is an educational topic (5,2,5)
6 The artist keeping the man's bird (4)
7 Dig out a place of confinement under the river (6)
8 A pageant displaying tawdry articles excessively (6)
11 The minimum acceptable formality and the consequences (7,5)
15 Courage shown by bishop trapped in conflagration (5)
16 Belief in God uplifted graduate (5)
18 Comedian entertains northern hoodlum (8)
19 A call for help, being without the optimal fire retardant (8)
21 Sympathetic proposition (6)
22 The Washington area's about to gain an MP (6)
26 Last train (4)
27 Pure water (4)

Solution 9,115



هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 · Jersey: 01534 71696
Private Clients 0800 414181 · 09.352 250404239
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Gr's
A$ Accum	A$18.822	+0.003	6.40
ASch Accum	Sch247.46	+0.01	2.10
C$ Accum	C$18.533	+0.002	3.70
DM Accum	DM38.102	+0.003	2.10
DFl Accum	Dfl31.814	+0.002	1.80
ECU Accum	Ecu13.375	+0.001	3.30
FFr Accum	FFr98.558	+0.005	2.80
HK$ Accum	HK$119.87	+0.02	4.20
Lira Accum	L23113	+5	8.20
NZ$ Accum	NZ$38.968	+0.009	8.70
NKr Accum	NKr111.47	+0.01	3.40
S$ Accum	S$25.856	+0.001	2.00
SPta Accum	Pta2650.0	+0.5	6.40
£ Accum	£12.980	+0.001	4.70
SKr Accum	SKr119.73	+0.01	4.70
SFr Accum	SFr20.318	+0.001	1.20
US$ Accum	$23.237	+0.003	4.40
Yen Accum	Y2688.7	—	0.10

Prices for dealing July 8

Lloyds Intl Money Market Fund Ltd
Lloyds Bank Fund Managers (Guernsey) Ltd · 01481 724983

	Selling Price	+ or -	Yield Gr's
Australian Dollar	A$85.229	+0.040	6.888
Canadian Dollars	C$29.369	+0.030	3.937
Deutschemarks	DM89.073	+0.010	2.395
Dutch Guilders	Dfl35.886	+0.009	1.851
ECU's	Ecu38.838	+0.010	3.523
French Francs	FFr86.785	+0.005	2.909
Italian Lire	L30011.578	+7.960	8.720
Japanese Yen	Y3599.879	+0.080	0.067
New Zealand Dollar	NZ$94.084	+0.065	9.088
Norwegian Kroner	NKr101.721	+0.020	3.468
Portuguese Escudos	Es3782.128	+1.570	6.608
Spanish Pesetas	Pta5667.384	+1.650	6.890
Sterling Class	£30.544	+0.020	4.940
Swedish Kronor	SKr103.274	+0.030	5.047
Swiss Francs	SFr80.858	+0.030	1.422
US Dollar Class	$41.583	+0.020	4.820
Managed Sterling	£19.218	+0.030	6.943
Managed US$	$25.415	+0.020	5.358

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port · 01481 722863

	Selling Price	Buying Price	+ or -	Yield Gr's
Island Global Fd	1858.5	1971.1	+4.4	0.09
Island Gold	4471	4739.3	+10.1	0.05
(Accum. Units)	8515.7	9028.9	+18	0.05
Island UK Fd	1822.1	1983.4	+0.5	3.51
(Accum Units)	2451.9	2599.8	+0.8	3.51

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey · 01481 707000
Prudential Money Funds Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling	157.7	157.8	+0.2	4.05
Managed Dollar	$14.31	14.32	+0.01	3.81
Dollar Deposit	$18.87	19.09	—	3.97

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey · 01481 713713

Rothschild Asset Mngmt - Contd.

	Selling Price	+ or -	Yield Gross
UK Capital Growth	£11.798	+0.095	—
Balanced Income & Growth	£11.320	-0.082	—
Balanced Income & Growth	$11.423	-0.080	—
International Capital Growth	£11.404	-0.097	—
International Capital Growth	$11.842	-0.116	—

Royal Bank of Canada Intl Money Market Fd
Money Market Plus

	Selling Price	+ or -	Yield Gross
US$ Accum Class	$1.1798xd	—	4.70
US$ Distrib Class	$1.0085xd	—	4.70
C$ Accum Class	C$1.2404xd	—	4.23
C$ Distrib Class	C$1.0187xd	—	4.23
Sterling Accum Class	£1.2791d	—	4.86
Sterling Distrib Class	£1.0284xd	—	4.86
SwF Accum Class	SFr1.1180xd	—	0.94
SwF Distrib Class	SFr1.0064xd	—	0.94
DM Accum Class	DM1.2057xd	—	2.48
DM Distrib Class	DM1.0145xd	—	2.48
Yen Accum Class	Y1.0302xd	—	0.00
Yen Distrib Class	Y1.0022xd	—	0.00

Sandi International (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Falcon High Income	$108.17	109.27	—	—

Schroder Investment Mngmt (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Brazil	$9.240	9.801	—	—
Eastern European	$15.828	16.685	—	—
Emerging Markets	$17.15	18.13	—	—
Emerging Mkts Debt	$10.894	11.215	—	—
India	$10.812	11.522	—	—
Indian Conventions	$5.84	6.19	—	—
Latin American	$52.43	55.58	—	0.60
Offshore Sterling Bond	£10.32	10.62	—	6.75
Taiwan Fund – Bid	T$246.03		—	—
Taiwan Fund – Offer	$10.607		—	—

Staines Fund Managers (Guernsey) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Perpetual UT Mngrs (Jersey) Ltd

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Lloyds Bank Luxembourg - Contd.

Threadneedle - Threadneedle Global Assets

Credit Investment Funds - Contd.

Merrill Lynch Asset Management

State Street Luxembourg SA

Sveda Securities

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

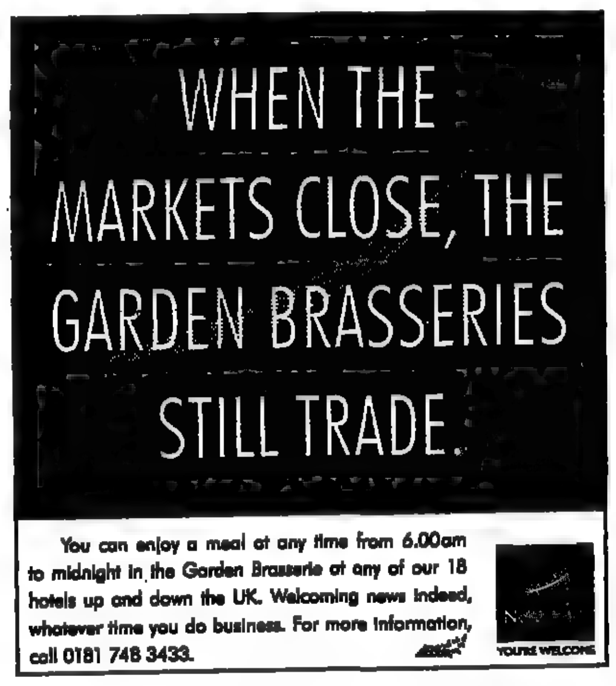
Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
Arbor Managed Funds				
£ OFS Global Port	£1.350	1.454	—	—
£ YRA Worldwide	£1.470	1.551	—	—
$ YRA Dlr Worldwide	$1.554	1.672	—	—
Young & Co Blend P'folio	$1.312	1.411	—	—
Pioneer Mid Term Agg	$1.089	1.170	—	—
Pioneer Long Term Cons	$1.120	1.204	—	—
Pioneer Long Term Agg	$0.980	1.036	—	—
PanEuroLife societe anonyme				
35 Av Marie-Therese, Luxembourg		00 352 456730		
France Balanced Jul 3	FF6892.78		-20.94	—
German/Benelux Jul 3	DM3042.42		+4.38	—
Global Equities Jul 3	$1363.05		-0.64	—
UK Secure Gth Jul 3	£701.70		+3.40	—
US Secure Growth Jul 3	$1154.34		-1.50	—
Intl Real Estate Jul 3	Ecu1282.86		+11.56	—
Fund of Funds Jul 3	Ecu1223.99		+4.83	—
Premier Life				
1 rue Emile Bian, Luxembourg		Tx 2809 Tel 4060731		
Davenport Cadbury £ Fd	£1.25	1.35	—	—
Matheson £ Pens	£1.08	1.16	—	—
Matheson $ Pens	$1.00	1.08	—	—
Argent Bond	£15.34		—	—
Argent Equity Gro	£24.83		—	—
OFS Aggressive $	$1.50		-0.01	—
OFS Mixed Growth $	$1.95		-0.02	—
OFS Dlr Balanced Port	$1.54		-0.01	—
CH 10	SFr1.59	1.71	—	—
LX 10	$1.65	1.78	—	—
Professional Investment Consultants				

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Fund Management Ltd - Contd.				
Hemisphere Neutral May 31	$119.76		—	—
Tiw Pacific Fund Ltd Jun 30	$108.32		—	—
Sage International Jun 30	$118.49		—	—
India Performance Jun 30	$101.90		—	—
Arvie Capital Advisers LLC				
Arvie Clipper Ltd	$106.57		—	—
Arc Investment Company Ltd				
Rainbow	$508.30		—	—
Rainbow	SFr607.35		—	—
Ardent Investment Management Ltd				
The Sakura Fund	$119.72		—	—
Aristocrat Capital Management Ltd				
Arnhold and S. Bleichroeder, Inc				
Global Beverage-Class A	$111.25		—	—
Asia Pacific Capital Strategies Fund				
NAV Jul 1	$9.80		—	—
Asia Pacific Securities Corp Ltd				

OTHER OFFSHORE FUNDS



	Selling Price	Buying Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Managed Portfolio				
Managed Portfolio	$1120.86		+0.55	—
Swiss Registered Funds				
GAM (CH) Europe	SFr110.55		-0.25	—
GAM (CH) Mondial	SFr177.65		-1.55	—
GAM (CH) Pacific	SFr277.15		-3.50	—
GAMerica Capital	$12.50		-0.15	—
GAM Europe	$11.46		-0.06	—
GAM Global A	$12.51		-0.10	—

	Selling Price	Buying Price	+ or -	Yield Gross
Jardine Fleming Unit Trusts Ltd - Contd.				
JF Far Eastern Warts Tst	$9.21	9.85	-0.42	—
JF Japan Digital Guaranteed Tst	$12.30		-0.13	—
JF Japan Digital Guaranteed Tst II	$15.10		-0.20	—
JF Japan Digital Guaranteed Tst III	$14.30		-0.19	—
JF Japan Warrant Tst	$6.62	7.29	-0.36	—
JF Taipei Tst (Unauthorised)		283.30	+1.45	—

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		448xd	—	558	442	4,848	6.6	17.0
Bulmer (HP)	✠†	578	—	628	442	305.7	2.7	18.2
Burn St Dav		101	—	149	98	59.8	6.2	21.8
Fraser & Neave A		765xd	—	775	600	104.0	2.0	19.6
Grand Met	✠†	435½	-1½	487	374	9,138	4.4	18.2
Guinness	✠†	472	-2	535	435	9,119	3.9	15.4
Highland	✠†	377	—	408	315	582.8	2.7	17.6
Kirin Y		779	+8½	879½	621	8,186	0.8	31.7
Macallan-Glen	✠‡	188	-2	217	150	153.1	1.2	32.0
Matthew Clark	✠‡†	780	—	803	580	671.1	3.6	◆
Merrydown	✠	138	—	141	78	15.0	4.2	–
Seagram $		£21⅞	-⅛	£25⅛	£20⅝	5,795	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Bankers Spc Cm 2nd Pf		501½	[illegible]	604½	501½	6.31	10.6	–
Cater Allen	♣	435xd	+18	525	379	148.2	8.7	◆
Close Bros	♣†	355	-9	382	281½	427.8	3.2	15.7
Gerrard & Nat	♣	355xd	—	472	353	172.6	8.1	11.2
Hambros		234xd	-1	252	183	414.2	4.0	–
7½pc Cv Pf		113	—	117	104½	149.9	8.3	–
King & Shaxson	♣	162xd	-2	177	112½	42.8	6.8	12.6
Leopold J	♣	428	—	483	353	22.7	5.9	◆
Rea Brothers	♣	53	-1	67	44	25.8	2.4	25.4
Schroders	♣	1339	—	1478	1185	2,015	1.5	18.6
N/V		1088	+3	1190	890	458.7	1.9	14.5
Singer & Fried	♣	117	-1	122	90	218.2	4.5	9.2
8½pc Cv Ln 03/14		£137¼	-1	£144¼	£111	42.1	6.2	–
Union	♣	94	+2	121	85½	25.0	4.0	◆

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapΣm	Yld Gr's	P/E
Anglo Am Ind		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Flds Prop R		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NK Props		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASOL		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tiger Oats		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tongaat-Hulett		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR "Headline Earnings" formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend,
xc ex scrip issue,
xr ex rights,
xa ex all,
xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5855. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus

Comprehensive 10-14 page report available on the company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at www.FT.com.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100's rehabilitation gathers momentum

By Steve Thompson,
UK Stock Market Editor

A series of revisions to the official Treasury economic forecasts came as no real surprise to a stock market still seeking to rebuild its confidence after last week's big sell-off.

Already in good form ahead of the official details, the market briefly slipped back, but quickly regained its poise and closed in good heart, helped by a strong opening by Wall Street.

At the close of a session once again affected by the lack of any really substantial institutional business, the *FT-SE 100-share index* settled 10.8 higher at 3,752.3.

The second line stocks, represented by the FT-SE Mid 250 index, rallied sharply after Monday's late sell-off, with the index recouping 8.2 at 4,347.7.

Senior dealers were generally impressed with London's resilience this week to Wall Street's volatility since last Friday's non-farm payroll report which triggered the 115-point slide in the Dow Jones Industrial Average.

"London has performed exceptionally well since Wall Street fell out of bed last Friday," remarked the head of trading at one UK securities house. "If we were *going to fall out of bed it would* have happened by now," he added.

Another top trader at a European-owned broker said he expected some form of decoupling by UK and European markets from the US.

The futures market was mildly supportive of the cash market, holding relatively steady throughout the session.

The Footsie began the day on a cautious note, with marketmakers worried about the effect on London of the late slide by the Dow Industrial on Monday just before the close of trading in the US, when the average dipped 37 points.

The leading index kicked off marginally higher and almost three *points up, and almost immediately* began to gather momentum. "There were no real sellers about and the market was always going to close well up on the session," said one marketmaker.

Up 16 points ahead of the Treasury revisions in the summer economic statement, the market briefly corrected, and thereafter held steady for the rest of the day.

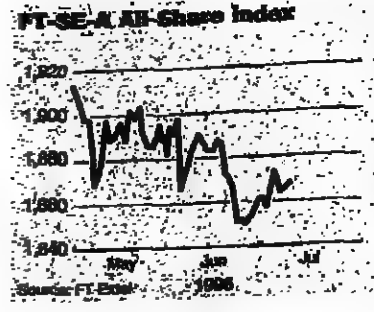
The Treasury revisions were almost bang in line with expectations, with the upward move in the projected 1996 public sector borrowing requirement to £27bn well received by a market looking for a figure nearer £28bn.

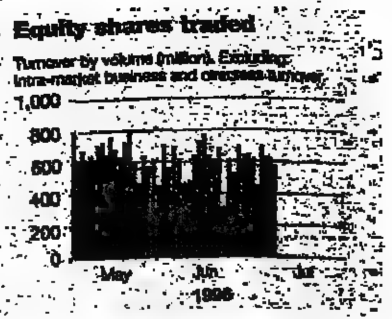
The downward revision in the 1996 *gross domestic product growth* figure – from 3 per cent to 2.5 per cent – had also been expected.

The chancellor of the exchequer's comment that he expected inflation to continue to fall was given a good reception.

Talk around the market of widespread profits downgrades in the wake of a disappointing results season, and the prospect of more to come, had little impact yesterday.

Turnover in equities at the 6pm reading just crept over the 700m mark, reaching 701.8m shares. That figure, *however,* was boosted substantially by heavy trading in Sunleigh, one of the market's penny stocks, which accounted for 84m shares dealt. Customer business on Monday was valued at £1.39bn.


FT-SE-A All-Share index


Equity shares traded
Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FT-SE 100	3752.3	+10.8
FT-SE Mid 250	4347.7	+8.2
FT-SE-A 350	1886.5	+5.0
FT-SE-A All-Share	1869.19	+4.41
FT-SE-A All-Share yield	3.84	3.88

FT Ordinary index	2755.8	+9.5
FT-SE-A Non Fins p/e	16.87	16.85
FT-SE 100 Fut Jul	3751.0	+16.0
10 yr Gilt yield	7.94	7.94
Long gilt/equity yld ratio:	2.16	2.16

Best performing sectors

1	Gas Distribution	+2.6
2	Transport	+0.9
3	Paper, Pckg & Print	+0.8
4	Engineering: Vehicles	+0.7
5	Food Producers	+0.6

Worst performing sectors

1	Alcoholic Beverages	-0.5
2	Insurance	-0.4
3	Other Financial	-0.3
4	Life Assurance	-0.3
5	Retailers: Food	-0.2

Crossed wires on Barclays

Market confusion and crossed wires hit the price of banking giant Barclays towards the close of trading.

The stock had moved higher in early trading on general optimism ahead of its interim figures in early August. Analysts hope for strong dividend *growth and SBC Warburg had* repeated its buy stance on the shares.

However, shortly before the close, word went round that NatWest Securities had clipped Barclays from its prestigious Top 15 list – the selection of stocks perceived to be the year's outstanding performers.

Suddenly the shares dipped and, after being a net 3 higher, ended the day down 6 at 791½p. *Unfortunately the stock* that came out of the list was not Barclays, the bank, but Berkeley, the upmarket housebuilder. Berkeley stayed out of the limelight and quietly slipped 2 to 596p.

Elsewhere in the sector, Warburg also stressed its support for HSBC, up 7 to 1043p.

Tesco tremors

Food retailer Tesco was one of the day's talking points as speculation that it plans a £2.5bn bid for French group Docks de France gathered momentum.

The talk in the market suggested Tesco would not only be forced to make a £2bn goodwill write-off but that such a deal would also prompt a large rights issue.

The prospect of a rights offer was overhanging the shares *yesterday and left them* trailing 2½ at 300½p after busy trade of 8.7m.

Mr Philip Dorgan at SGST said: "The shares will underperform the market until this uncertainty is cleared up."

He added: "Tesco could have picked up this company at half of today's prices a couple of years ago. I believe that it would be better for Tesco to buy parts of the business *rather than the whole of Docks* de France at today's share price."

Concern that the flotation of Cambrio might have to be pulled hit biotechnology stocks.

British Biotech fell 135 to 2126p, Chiroscience 8 to 366p and Celltech 34 to 535p. However, Mr Ian Smith of Lehman Brothers believes the selling is overdone: "For the first time in many months some of these *stocks are starting to look good* value," he said.

British Petroleum hardened 2 to 597½p after HSBC James Capel upgraded its 1996 forecast for BP's 1996 replacement cost net income by 5 per cent to around £2.5bn, equivalent to earnings per share of 44.6p.

The upgrade reflects a stronger oil price, a more robust chemicals market in the second quarter and BP's improved downstream business.

Excitement faded over media reports concerning Guinness sizing up Grand Metropolitan as a possible bid target. The former eased 2 to 472p and GrandMet declined 4½ to 435½p. One analyst said: "Reality is striking home. The chances of a bid are very unlikely and I expect both stocks to drift down."

Greene King weakened 22 to 616p, overtly on the back of *directors not taking up all* their rights issue entitlements. However, one analyst said there were some niggling worries that the company had paid too much for the Magic Pub Company.

Glaxo Wellcome shrugged off the concern over competition to Zantax, its anti-ulcer treatment, with the help of a recommendation from NatWest Securities.

The broker argued that a ruling by a US court in favour of Novopharm, a Canadian generics company, had already been factored into assumptions and any weakness provided a buying opportunity. Also, optimism about the company's prospects has emanated from presentations made at the international Aids conference in Vancouver. The shares ended 6 higher at 879p.

Lloyds Chemists fell 8 to 469p following a profits warning for the second half of the year. *The company, which has* had bids from UniChem and Gebe, of Germany, said profits had been adversely affected by the uncertainty surrounding the possible bid outcomes, together with the costs associated with them and the Monopolies and Mergers Commission referral. *One analyst,* who said that staff morale had been adversely affected by the uncertainty, forecast that the results would come in around £3m lower than expected.

John Menzies climbed 19 to 574p following better than expected finals, with a knock-on effect on W.H. Smith, which rose 7 to 490p.

NatWest Securities moved Kingfisher from a "hold" to a short term trading "buy" and increased its full-year forecast from £325m to £350m. Kingfisher rose 4 to 635p.

Monday's solid results statement continued to underpin conglomerate Tomkins. Klein*wort Benson reiterated its buy* stance and the shares put on 7 at 258p in 6.7m traded.

Most dealers felt that talk of switching out of BTR into Tomkins was misplaced, but shares in the former were heavily dealt. The stock closed at a new 52-week low of 243½p, down 3½, in 17m traded.

Support services group Hays added 7 at 466p, a new high for the past year, lifting its market capitalisation above £1.9bn. Hopes for Footsie inclusion have begun to buoy sentiment.

BTG, which replaces Wickes in the FT-SE Mid 250 index from Monday, rose 30 to 1895p.

BSkyB topped the list of Footsie performers in response to the company's plans for a digital pay television venture with Germany's Kirch. The shares improved 14 to 468p.

Legal & General firmed 3 to 671p in response to the sale of its commercial lines general insurance business to Guardian Royal Exchange for £48m.

The sale had been flagged for months. Some analysts said it would benefit both parties, but the market was less enthusiastic about the advantages for GRE, whose shares were marked down 6 to 238p.

British Airways rallied strongly as hopes for a breakthrough in the pilots dispute sparked a round of buying. The shares gained 6½ to 549p. Airports group BAA appreciated 6 to 465p ahead of today's traffic figures for June.

Talk of a link with ferries rival Stena Line resurfaced at P&O. Ferry combinations are seen as a way of reducing cross-Channel capacity and mitigating competition from the Channel tunnel. P&O has also been seeing brokers for a trading update. The shares moved up 8½ to 488½p.

Cellular stocks, a weak market lately, showed signs of wanting to rally. Vodafone put on 2 to 237½p in turnover hoisted to 12m by a two-way pull. A reiterated buy recom*mendation* from Kleinwort Benson helped lift Orange 2½ to 208½p.

There were suggestions of renewed US interest in BT following an upbeat article in Barrons, the widely read US financial weekly. The stock put on 2½ at 344½p.

HTV, considered a prime takeover target within the broadcasting sector, moved forward 7 to 357p. The company has been meeting brokers ahead of its closed season.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Jul 9	Jul 8	Jul 5	Jul 4	Jul 3	Yr ago	*High	*Low
Ordinary Share	2755.8	2746.3	2743.9	2761.4	2728.6	2597.8	2895.2	2696.7
Ord. div. yield	4.05	4.08	4.07	4.04	4.09	4.10	4.12	3.78
P/E ratio net	16.30	16.25	16.22	16.31	16.12	16.23	17.25	15.96
P/E ratio nil	16.20	16.15	16.13	16.22	16.02	15.99	17.08	15.76

Ordinary Share index since compilation: high 2895.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2749.1	2751.4	2759.9	2761.1	2757.5	2758.5	2757.5	2758.8	2755.6	2762.3	2749.1

	Jul 9	Jul 8	Jul 5	Jul 4	Jul 3	Yr ago
SEAQ bargains	29,123	32,026	30,986	27,742	28,662	28,691
Equity turnover (£m)†	–	1389.1	1738.6	1708.2	1660.9	1594.6
Equity bargains†	–	36,586	37,405	35,248	35,178	42,459
Shares traded (m)†	–	615.1	577.1	624.2	624.4	675.1

†Excluding intra-market business and overseas turnover.

	Jul 9	Jul 8	Jul 5	Jul 4	Jul 3	Yr ago	*High	*Low
FT-SE AIM	1077.10	1079.20	1086.20	1081.80	1076.30	–	1140.40	985.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	647	Total Highs	35	Total contracts	28,693
Total Falls	576	Total Lows	62	Calls	17,764
Same	1,569			Puts	10,929

July 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3740.0	3751.0	+16.0	3761.0	3735.0	9229	57663
Dec	-	3771.0	+16.0	-	-	0	1511

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4350.0	+10.0	-	-	0	3740

FT-SE 100 INDEX OPTION (LIFFE) (*3751) £10 per full index point

	3600		3650		3700		3750		3800		3850		3900		3950	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jul	152	2½	104½	4½	61½	10½	27½	27	8½	58½	1½	104	1	154	1	204
Aug	157	14½	116½	23	80	36½	38	58½	28	84½	13½	119½	5½	162	2	209
Sep	178½	30	140	41½	106	56	77½	77½	56½	104½	35½	136	21	172	11½	219½
Oct	185	42½	156	55	127	73	97	93	73½	119	52½	146½	38½	182½	24½	221½
Dec†	229½	63½			166	99½			113½	147			72½	206½		

Calls 5,097 Puts 2,935

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575		3625		3675		3725		3775		3825		3875		3925	
Jul	177	1½	129	3½	83	7	43½	17½	17	41	4	78	1	124½	1	174
Aug	179½	11	136	16½	96	28	65	45½	39½	69½	21½	101	10	139	4	183
Sep	195½	21½	155½	31	119½	44½	88	62½	61	84½	39	112	24½	147	15	189½
Dec			218½	76			158½	117½			104½	157			65½	213
Mar†			252	109½			201½	145			146½	189			109½	242

Calls 4,595 Puts 3,480 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	13.6	136	132	AFA Systems	136		–	–	–	–
–	F.P.	668.2	£19¼	£18¾	Alumax	£19¼	+¼	–	–	–	–
§170	F.P.	19.6	185	180	†Circle Comms	180	-5	–	–	–	–
§122	F.P.	22.8	140	133	†Cirqual	138		–	–	–	–
§	F.P.	104.5	221	208	City Technology	215		–	–	–	–
–	F.P.	5.94	19	15	Document Techn	19		–	–	–	–
§3	F.P.	3.07	4	4	†Drings of Bath	4		–	–	–	–
100	F.P.	43.1	130	111	†Fibernet Group	118		–	–	–	–
–	F.P.	25.9	21	17	†Gold Mn Sardinia	20		–	–	–	–
–	F.P.	5.80	12	8	†Great Card Wire	11	-1	–	–	–	–
205	F.P.	34.3	237	205	†IES	225xd	-5	Z0.8	–	0.5	–
–	F.P.	4.30	230	190	†IES Warrants	210	-5	–	–	–	–
–	F.P.	10.9	85	65	†Independent Dr R	75xd		–	–	–	–
94	F.P.	10.8	85	71	†Intelligent Envs	75		–	–	–	–
175	F.P.	–	193	169	Jarvis Hotels	170½	+½	–	–	–	–
–	F.P.	2.51	125	110	†Matrix Hithcare	110		–	–	–	–
–	F.P.	1.32	18	18	NECA	18		–	–	–	–
172	F.P.	407.4	227	172	Pace Micro Tech	180		FR2.4	2.4	1.6	31.5
§5	F.P.	7.66	3¼	3½	†Pordum Foods	3½		–	–	–	–
–	F.P.	0.33	1½	1½	†Pordum Foods Wts	1½		–	–	–	–
140	F.P.	20.9	172	164	†Sinclair M'rose	172		–	–	–	–
80	F.P.	5.82	91	89	†Solid State Sppl	90	-1	–	–	–	–
225	F.P.	31.5	280	225	†Stadium	272	-2	–	–	–	–
–	F.P.	1,227	243	218	Sun Life & Prov	218	-2	–	–	–	–
110	F.P.	17.1	130	106	†Theo Fennell	108		–	–	–	–
95	F.P.	38.3	125	113	Vocalis Group	115		–	–	–	–
–	F.P.	23.5	165	148	†Whittard of Chls	148	-2	–	–	–	–

† Alternative Investment Market. § Placing price. ☆ Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jul 9	% chg on day	Jul 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (35)	2898.11	-0.8	2887.73	1988.82	1.40	–	[illegible]	1773.89
Regional Indices								
Africa (13)	2868.20	+2.3	2794.81	2707.48	2.55	38.80	3553.85	2272.74
Australasia (7)	2304.43	-1.1	2330.86	2314.45	2.82	21.46	2927.34	2142.78
North America (12)	1824.26	-1.7	1855.77	1783.57	0.76	64.89	2186.39	1488.94

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Jul 9	Day's chge%	Jul 8	Jul 5	Jul 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3752.3	+0.3	3741.5	3743.2	3760.6	3464.0	4.05	2.13	14.47	91.18	1636.70
FT-SE Mid 250	4347.7	+0.2	4339.5	4367.2	4371.1	3759.6	3.43	1.74	20.98	114.35	1754.95
FT-SE Mid 250 ex Inv Trusts	4386.8	+0.2	4379.8	4406.9	4409.0	3764.1	3.51	1.75	19.95	120.00	1773.03
FT-SE-A 350	1886.5	+0.3	1881.5	1884.8	1892.0	1717.0	3.91	2.06	15.53	46.86	1580.53
FT-SE-A 350 Higher Yield	1804.3	+0.3	1798.5	1800.5	1813.6	1719.1	5.25	1.82	12.40	55.27	1264.29
FT-SE-A 350 Lower Yield	1975.9	+0.2	1971.7	1976.4	1977.7	1716.7	2.70	2.30	20.15	38.30	1371.48
FT-SE SmallCap	2169.78	-0.1	2171.98	2188.10	2188.65	1877.48	3.01	1.73	23.96	38.81	1765.17
FT-SE SmallCap ex Inv Trusts	2171.77	-0.2	2175.36	2187.23	2188.80	1847.40	3.19	1.82	21.63	41.14	1799.52
FT-SE-A ALL-SHARE	1869.19	+0.2	1864.78	1868.75	1875.47	1694.30	3.84	2.04	15.87	45.21	1590.36

FT-SE Actuaries All-Share

	Jul 9	Day's chge%	Jul 8	Jul 5	Jul 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3551.41	+0.4	3535.80	3530.60	3553.39	2909.84	3.77	1.88	18.10	79.25	1530.15
12 Extractive Industries(6)	4218.89	+0.5	4196.58	4203.44	4216.74	4083.93	3.80	2.52	13.05	109.18	1241.48
15 Oil, Integrated(3)	3638.22	+0.5	3621.06	3612.40	3639.31	2891.92	3.83	1.72	18.43	81.84	1607.70
16 Oil Exploration & Prod(15)	2470.30	—	2469.32	2475.32	2482.55	1869.10	2.13	1.89	37.18	34.94	1487.82
20 GEN INDUSTRIALS(276)	2018.87	+0.1	2016.24	2024.18	2032.32	1986.52	4.27	1.87	15.61	48.85	1108.61
21 Building & Construction(34)	1183.77	-0.1	1184.48	1193.33	1196.91	986.46	3.49	1.68	21.35	21.93	893.80
22 Building Matls & Merchs(29)	1891.01	-0.1	1892.64	1899.45	1895.68	1805.93	4.06	1.66	18.54	47.17	861.94
23 Chemicals(25)	2426.03	+0.4	2415.99	2422.62	2438.38	2457.19	4.11	1.96	15.50	61.39	1157.55
24 Diversified Industrials(19)	1542.03	-0.1	1544.35	1553.54	1571.97	1858.28	6.75	1.69	10.94	58.29	870.53
25 Electronic & Elect Equip(37)	2314.21	+0.1	2311.89	2301.75	2317.31	2013.36	3.36	1.62	23.03	17.87	1196.20
26 Engineering(71)	2444.30	+0.1	2442.25	2456.74	2459.93	2072.64	3.27	2.44	15.69	48.54	1492.88
27 Engineering, Vehicles(14)	2997.92	+0.7	2978.79	3008.47	3022.26	2495.51	3.50	1.98	18.04	54.61	1557.40
28 Paper, Pckg & Printing(28)	2605.39	+0.8	2584.63	2581.22	2570.88	3142.02	3.93	1.99	15.97	58.05	1091.91
29 Textiles & Apparel(19)	1353.07	+0.1	1352.26	1369.28	1368.13	1637.88	5.23	1.59	15.07	42.36	835.37
30 CONSUMER GOODS(92)	3585.99	+0.1	3582.08	3591.77	3606.06	3273.00	3.90	1.87	17.11	81.57	1331.99
32 Alcoholic Beverages(6)	2765.01	-0.5	2778.55	2787.77	2783.12	2898.97	4.53	1.62	17.10	71.90	1003.68
33 Food Producers(24)	2510.13	+0.6	2495.11	2503.17	2508.89	2545.27	4.14	1.65	18.28	66.16	1142.95
34 Household Goods(15)	2631.42	+0.5	2617.93	2648.13	2655.41	2697.51	3.78	2.14	15.42	56.43	1009.76
36 Health Care(20)	2110.03	+0.4	2102.65	2109.37	2118.86	1836.10	2.56	2.15	22.71	34.90	1288.93
37 Pharmaceuticals(12)	5227.34	—	5227.29	5277.75	5292.32	4163.11	3.29	1.88	20.77	91.18	1776.86
38 Tobacco(1)	4197.32	+0.4	4180.38	4198.85	4243.91	4291.01	6.05	2.12	8.74	156.18	1054.34
40 SERVICES(253)	2531.05	+0.2	2526.96	2530.05	2528.03	2125.18	2.82	2.01	22.05	52.80	1325.38
41 Distributors(31)	2853.89	+0.2	2847.10	2858.92	2859.17	2624.36	3.04	1.70	24.14	51.03	1057.88
42 Leisure & Hotels(24)	3181.58	+0.3	3171.61	3169.12	3169.87	2407.39	2.78	1.89	23.73	152.38	1719.03
43 Media(40)	4201.27	+0.4	4185.33	4185.85	4193.66	3186.85	2.17	1.88	30.85	54.14	1524.35
44 Retailers, Food(14)	2000.00	-0.2	2004.78	2014.33	2005.68	2191.58	3.83	2.32	14.07	48.71	1283.51
45 Retailers, General(43)	2111.05	-0.2	2115.65	2115.81	2105.78	1722.70	2.95	2.19	19.32	45.51	1216.93
47 Breweries, Pubs & Rest.(24)	3199.53	-0.2	3205.93	3208.17	3206.47	2608.52	3.20	2.12	18.44	52.53	1543.56
48 Support Services(49)	2462.34	+0.4	2452.20	2465.00	2463.64	1670.02	1.89	2.25	29.47	31.94	1571.38
49 Transport(22)	2351.02	+0.9	2329.74	2331.92	2337.36	2317.89	3.46	1.47	24.63	54.52	987.78
60 UTILITIES(33)	2285.25	+0.5	2273.54	2284.64	2309.27	2478.72	6.56	2.02	11.06	83.86	964.66
62 Electricity(11)	2551.85	—	2552.50	2572.27	2576.35	2411.55	6.37	2.50	7.83	201.84	1259.33
64 Gas Distribution(2)	1239.89	+2.6	1207.99	1207.99	1230.63	1952.47	3.66	1.55	9.53	66.67	650.38
66 Telecommunications(8)	1904.65	+0.6	1893.72	1900.35	1932.91	2152.81	4.25	1.79	16.46	12.56	887.45
68 Water(12)	2146.24	-0.1	2147.39	2163.54	2163.23	2043.10	8.16	2.33	6.69	88.50	1210.40
69 NON-FINANCIALS(688)	1987.81	+0.2	1983.36	1987.94	1995.20	1619.13	3.85	1.93	16.87	47.67	1517.75
70 FINANCIALS(105)	2906.37	+0.3	2898.78	2898.21	2907.07	2500.38	4.15	2.64	11.44	79.12	1261.46
71 Banks, Retail(8)	4079.33	+0.5	4057.93	4053.29	4070.56	3378.64	3.82	2.89	11.33	110.04	1343.46
72 Banks, Merchant(6)	3607.41	—	3606.13	3635.31	3645.36	3425.94	2.74	2.51	17.50	63.39	1151.27
73 Insurance(24)	1410.84	-0.4	1415.89	1415.12	1432.08	1339.52	5.86	3.18	6.71	48.33	1069.84
74 Life Assurance(6)	3359.18	-0.3	3367.67	3368.12	3322.01	2866.34	4.45	2.24	12.55	100.72	1408.19
77 Other Financial(21)	2604.33	-0.3	2611.93	2622.28	2622.28	2104.73	4.02	1.81	17.18	62.05	1495.14
79 Property(41)	1519.11	+0.3	1514.42	1515.46	1520.75	1479.25	4.19	1.27	23.53	38.03	943.48
80 INVESTMENT TRUSTS(126)	3110.38	+0.4	3097.81	3126.97	3141.86	2903.10	2.26	1.11	49.85	42.89	1091.08
89 FT-SE-A ALL-SHARE(909)	1869.19	+0.2	1864.78	1868.75	1875.47	1694.30	3.84	2.04	15.87	45.21	1590.36
FT-SE-A Fledgling	1238.14	-0.1	1239.82	1247.82	1248.01	1016.25	2.81	2.44	18.21	18.31	1298.78
FT-SE-A Fledgling ex Inv Trusts	1251.60	-0.2	1253.92	1260.70	1260.34	1006.25	3.02	2.04	15.66	19.92	1313.86

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3744.3	3748.7	3754.1	3757.0	3752.8	3753.4	3752.1	3751.4	3751.4	3757.6	3744.2
FT-SE Mid 250	4338.8	4341.0	4345.1	4348.1	4347.1	4346.3	4346.0	4347.9	4347.0	4348.4	4338.8
FT-SE-A 350	1882.6	1883.7	1887.0	1888.7	1886.7	1886.9	1886.3	1886.2	1886.1	1888.7	1882.5

Time of FT-SE 100 Day's high: 10:28 AM Day's low: 8:32 AM. FT-SE 100 1996 High: 3857.1 (18/04/96) Low: 3564.2 (23/01/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1170.6	1171.4	1172.6	1175.1	1174.8	1174.4	1174.0	1173.8	1173.8	1173.8	1172.2	+1.6
Pharmaceuticals	5162.0	5159.4	5151.7	5151.2	5144.8	5149.2	5147.2	5147.2	5155.8	5160.1	5159.3	+0.8
Water	2133.2	2131.2	2130.3	2131.4	2132.2	2134.2	2135.1	2135.8	2133.1	2133.3	2134.5	-1.2
Banks, Retail	4104.0	4114.0	4122.6	4133.6	4129.1	4128.6	4126.8	4125.2	4125.9	4131.6	4109.7	+21.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
*The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Wickes (45) & (FT-SE Mid 250); BTG (FT-SE SmallCap); INSERT: BTG (FT-SE Mid 250).

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	298	432	
ASDA Group†	3,900	119½	-½
Abbey National†	3,600	581½	-4½
Albert Fisher	786	48½	
Allied Domecq†	1,300	446	
Anglian Water	1,200	568	-6
Argos†	601	726	-8
Arjo Wiggins	2,400	180	-4
Assoc. Brit. Foods†	548	403	+1
Assoc. Brit. Ports	611	282	
BAA†	1,100	465	+6
BAT Inds.†	5,800	469	+6
BBA	665	303	+6
BICC	94	312	-2
BOC†	976	937	+4
BP†	12,000	597½	+2
BPB Inds.	1,400	339	-1
BSkyB†	2,800	468	+14
BT†	8,200	344½	+2½
BTR†	20,300	243½	-3½
Bank of Scotland†	1,500	245½	+1½
Barclays†	2,500	791½	-6
Bass†	1,700	830½	-2½
Blue Circle†	816	371	+1
Booker	69	377	+1
Boots†	2,100	589½	-½
Britannic	78	758	
Brit. Aerospace†	1,200	963	-5
British Airways†	5,900	549	+6½
British Biotech	854	2126	-135
British Gas†	9,400	184½	+6
British Land	164	428	+5
British Steel†	2,800	169½	+1½
Bunzl	17	201	+2
Burmah Castrol†	638	1016	+1
Burton†	2,300	152	-1
Cable & Wire†	4,800	410	-2
Cadbury Schweppes†	2,020	513	+6
Caradon	1,400	213	-4
Carlton Comms.†	1,100	497	-1
Chubb	82	334	
Coats Viyella	686	174	
Comm. Union†	1,800	589	-6
Compass	307	585	+6
Cookson†	10,300	282	+4
Courtaulds†	382	425	-2
Dalgety	2,600	342	-3
De La Rue	367	603	-7
Dixons†	391	518½	-3½
East Midland Elect.	481	555	-5
Electrocomps	710	397	
Eng China Clays	2,400	298	-6
Enterprise Oil†	1,100	477	+6
Eurotunnel Units	354	95	
FKI	2,200	175	
Foreign & Col. I.T.	687	158	+1½
Gen. Accident†	1,500	635	
General Elect.†	2,300	374½	-1½
Glaxo Wellcome†	5,700	879	+6
Glynwed	3,600	347	+5
Granada†	621	884	-2
Grand Met.†	3,900	435½	-4½
GUS†	1,200	674	-1
Greenalls	541	570	-6
GRE†	1,800	238	-6
GKN†	605	1009	+7
Guinness†	2,900	472	-2
HSBC (75p shs)†	2,400	1043	+7
Hammerson	52	367	
Hanson†	8,900	171¼	-½
Harrisons Crosfield	350	129	-6
Hays	465	466	+7
Hillsdown	1,100	175	+1
Hyder	347	669	+8
IMI	388	378	-2
ICI†	4,200	795	+8
Inchcape	4,400	267	+4
Johnson Matthey	371	602	
Kingfisher†	1,400	635	+4
Kwik Save	71	453	
Ladbroke†	3,000	193½	+1½
Land Securities†	582	628	+3
Laporte	88	700	+4
Legal & General†	4,800	671	+3
Lloyds Abbey	202	535	+1
Lloyds TSB†	6,800	307½	-2
LASMO†	9,700	174	-1
London Elect	258	607	-3
Lonrho	611	179	-1
Lucas	3,300	232	+4
MEPC	391	407	+2
MFI	90	180	
Marks & Spencer†	2,800	497½	-2½
Mercury Asset Man	531	964	-4
Midlands Elect	8	419	
Morrison (Wm.)	1,600	165	+6
NFC	4,800	191	+3
NatWest Bank†	6,200	632	+6
National Grid†	1,000	170	
National Power†	1,800	530	
Next†	1,700	559	-6
Northern Elect.	18	547	-6
Northern Foods	39	183	-3
Orange†	4,700	208½	+2½
Pearson†	2,100	648	+4
P & O†	3,400	488½	+8½
Pilkington†	4,000	182	-3
PowerGen†	328	478½	-6½
Premier Farnell	532	647	+6
Prudential†	4,100	412	-6½
RTZ†	1,000	853	+6
RMC†	110	1057	+6
RTZ†	1,700	949	+7
Racal	524	307	+2
Railtrack	2,500	215½	+1
Rank Org.†	1,000	493	-2
Reckitt & Colman†	690	680	+6
Redland†	1,200	409	
Reed Intl.†	741	1106	+15
Rentokil†	2,700	422	+2
Reuters†	2,200	765	-7
Rolls Royce†	891	225	
Ryl Bk Scotland†	1,100	494	-1
Royal Insurance†	4,100	402	-1
Safeway†	1,300	335	-1½
Sainsbury†	2,600	368	-½
Schroders†	19	1335	
Scottish & New.†	492	664½	-1½
Scot. Hydro-Elect.	1,500	288	-2½
Scottish Power†	2,500	309	-3
Sears	1,600	97½	-½
Sedgwick	517	134	-½
Severn Trent†	105	636	-1
Shell Transport†	3,700	937½	+6
Siebe†	357	827	+1
Slough Ests	235	219	+1
Smith (W.H.)	1,300	490	+7
Smith & Nephew†	421	205½	+½
SmKl Beecham†	5,200	709½	+1½
Smiths Inds.†	545	702	-7
Southern Elect†	214	894	-6
South West Water	75	855	+1
Southern Water	900	1023	-2
Standard Chartd.†	1,400	662	+17
Storehouse	1,900	327	-5
Sun Alliance†	481	376	-5
T&N	358	156	
TI Group†	849	540	-7
Tarmac	5,500	111	-2½
Tate & Lyle†	1,300	469½	-1½
Taylor Woodrow	292	165	-1
TeleWest Comms	130	158	-1½
Tesco†	8,700	300½	-2½
Thames Water†	517	554	-4
Thorn EMI†	412	1800	
Tomkins†	7,100	258	+7
Unigate	738	400	+1
Unilever†	843	1265	+13
United Biscuits	2,700	222	
Utd. News & Media†	6,500	662	
United Utilities†	1,200	562	
Vodafone†	14,000	237½	+2
WPP	1,900	280	+3
Wessex Water	467	368	+5
Whitbread†	661	732	
Williams Hldgs.†	1,300	330	
Willis Corroon	690	150	+1
Wimpey	36	147	+2
Wolseley†	1,000	452	
Yorkshire Elect	106	718	-8
Yorkshire Water	1,400	657	+2
Zeneca†	2,000	1448	-15

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 9 / Sch)

BELGIUM/LUXEMBOURG (Jul 9 / Frs.)

CZECH REP (Jul 9 / Koruna)

DENMARK (Jul 9 / Kr)

FINLAND (Jul 9 / Mkka)

FRANCE (Jul 9 / Frs.)

GERMANY (Jul 9 / Dm.)

GREECE (Jul 9 / Drachma)

ITALY (Jul 9 / Lira)

NETHERLANDS (Jul 9 / Fls.)

NORWAY (Jul 9 / Kroner)

POLAND (Jul 9 / Zloty)

PORTUGAL (Jul 9 / Escudo)

SPAIN (Jul 9 / Pta.)

SWEDEN (Jul 9 / Kronor)

SWITZERLAND (Jul 9 / Frs.)

TURKEY (Jul 9 / TL Lira)

PACIFIC

JAPAN (Jul 9 / Yen)

HONG KONG (Jul 9 / H.K.$)

INDONESIA (Jul 9 / Rupiah)

MALAYSIA (Jul 9 / MYR)

NEW ZEALAND (Jul 9 / NZ $)

SINGAPORE (Jul 9 / S$)

AUSTRALIA (Jul 9 / Aus$)

SOUTH KOREA (Jul 9 / Won)

TAIWAN (Jul 9 / TW $)

THAILAND (Jul 9 / Baht)

AFRICA

SOUTH AFRICA (Jul 9 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Jul 9 / Can $) 4 pm close

TORONTO (Jul 9 / Can $) 4 pm close

Prices supplied by Telekurs

INDICES

[illegible]

INDEX FUTURES

CAC-40

DAX

OMX

BOFFEX

US INDICES

Dow Jones

Standard and Poors

	Jul 8	Jul 5	Jul 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	652.54	657.44	672.40	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	775.93	781.77	797.77	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	64.53	65.75	67.94	68.58 (5/3)	58.67 (10/1)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	350.33	353.24	360.37	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	565.91	574.33	579.65	614.89 (22/5)	529.05 (18/1)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1148.82	1158.35	1181.80	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 5	Jun 28	Jun 21	Year ago
Dow Jones Ind. Div. Yield	2.22	2.19	2.17	2.37
	Jun 26	Jun 19	Jun 12	Year ago
S & P Ind. Div. yield	1.87	1.87	1.87	2.14
S & P Ind. P/E ratio	22.29	22.22	19.65	18.60

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Loral Space	6,690,300	12¼	-1⅛
Motorola	6,545,300	67⅜	+1⅜
Chase Manh	3,783,900	67⅛	-1⅜
Tel Brasil	3,713,800	75	+⅜
McDonalds	3,383,400	44⅝	-⅞
Chrysler	3,068,700	57⅛	-¾
Cambex	2,940,600	27⅞	-1⅝
Ford Motor	2,878,500	30⅞	-1⅛
Conagra	2,620,100	44⅜	-1⅛
Citicorp	2,593,600	77⅛	-2⅝

■ TRADING ACTIVITY

● Volume (million)

	Jul 8	Jul 5	Jul 3
New York SE	332.682	181.413	334.568
Amex	15.485	10.425	17.524
NASDAQ	455.928	222.132	510.720
NYSE			
Issues Traded	3,149	2,969	3,156
Rises	747	309	1,064
Falls	1,709	2,087	1,212
Unchanged	683	573	880
New Highs	30	21	88
New Lows	77	51	36

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	656.30	659.00	+2.70	659.60	656.30	75,582	173,898
Dec	665.50	665.40	+2.65	665.70	664.80	169	7,332

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	21940.0	21980.0	+80.0	22000.0	21870.0	16,813	227,458
Dec	21800.0	21910.0	+10.0	21910.0	21900.0	11	4,139

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5128. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, July 9, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Matushima	6.0m	557	+52	TYK Corp	3.5m	985	+40
Sumitomo Prec	5.5m	1180	+20	Ishihara Sangyo	3.3m	446	+3
Sumitomo Mtl Ind	3.8m	317	-3	Nippon Stl Corp	2.9m	357	-5
Toshiba Corp	3.8m	765	+6	Hokkaido Taku Bk	2.8m	332	+13
Mitsubishi Hvy	3.5m	947	+2	Takashima & Co	2.5m	678	+100

Oryx (India) Fund Ltd NAV Jul 5 $7.15 -0.31

Sinira Fund Ltd NAV Jun 28 $14.44

The fund prices published in this edition are also available at the Financial Times' web site.

4 pm close July 9

NEW YORK STOCK EXCHANGE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

هكذا من الأصل

4 pm close July 9

NYSE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 9

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.12	98	2116	48½	46¼	48¼	+2¼
Acclaim E		10	1989	9⅜	8⅞	9	-1/16
Acxiom Cp		50	2582	35¼	34½	35½	-¼
Adaptech		24	12911	48⅜	45¼	45⅜	-1⅜
ADC Tele		39	1940	44¾	43	44½	+1
Addington		20	1818	23⅛	22	22½	+½
AdiaADR	0.16	26	50	29¾	29½	29½	-1¾
Adobe Sys x	0.20	33	7785	35¼	34⅝	34⅞	
Adv Logic		11	515	7½	7	7⅜	+⅜
Adv Polym		13	3208	8½	8	8½	+¼
AdvTchLab		32	692	36	34¾	35¼	-1
Advanta A	0.36	14	939	49	48¼	48½	+11/16
AgnicoEa	0.10	45	5	16½	16½	16½	
AirExpr x	0.24	18	136	27 7/16	26¾	27	-¼
Alco ADR	1.75	10	281	58⅜	58	58⅛	-¼
AlxBld	0.88	20	894	24¼	24¼	24¼	-⅛
Allen Org	0.52	12	3	37¾	37¾	37¾	+¼
Allen Ph		14	2491	16⅝	15⅝	15⅝	-⅞
AlldCapll	1.40	16	42	u18½	17¾	18¼	+¼
Alld Cap	1.08	12	376	14	13⅞	13 15/16	-1/16
Alcatle C	0.32	21	4	3⅞	3⅞	3⅞	
Alta Gold	0.06	27	862	3 5/16	3 3/16	3 3/16	+3/32
Altera Co		171	1761	34½	d33¼	33⅞	-⅝

[illegible]

AMEX PRICES

4 pm close July 9

[illegible]

AMERICA

Dow makes new effort to move ahead

Wall Street

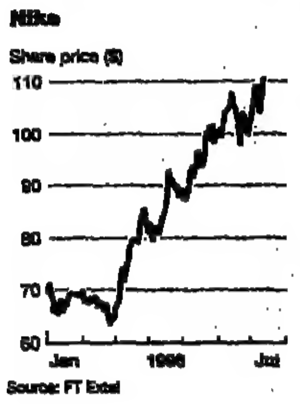
US shares moved higher in early trading yesterday, for the second consecutive session, but with little in the way of economic data it remained unclear whether the market would hold its gains later on, *writes Lisa Bransten in New York.*

The market remained choppy in the wake of Friday's sell-off that saw the Dow Jones Industrial Average fall 115 points as strong jobs data sparked fears of an aggressive tightening of monetary policy by the Federal Reserve.

On Monday, shares also rose in early trading only to finish the session lower, even as bonds held steady.

The Dow Jones Industrial

Nike



Source: FT Extel

Average yesterday moved as much as 37 points higher in morning trading before falling off its session highs. At 1pm, the Dow was up 26.96 at 5,577.79 and the Standard & Poor's 500 was 2.76 ahead at 655.30, although the American Stock Exchange composite lost 2.47 at 566.44. Volume on the New York Stock Exchange came to 210m shares.

Technology shares were mostly stronger in spite of a series of ratings downgrades from a prominent analyst. The Nasdaq composite had gained 5.82 at 1,154.64 and the Pacific Stock Exchange technology index was up 0.5 per cent.

IBM, a component of the Dow, moved forward $1⅛ to $99½. LSI Logic, however, lost $1½ or 6 per cent to $22 after an analyst from Soundview Financial cut the company's rating to "hold" from "buy".

Several companies gained ground after reporting stronger than expected earnings. Nike climbed $6¾ or 6 per cent to $110¾ after releasing fourth-quarter earnings of $1.06 per share, 7 cents ahead of analysts' estimates.

International Paper rose $1¼, or 3 per cent, to $38¾ after reporting second-quarter earnings of 33 cents a share, 9 cents above analysts' estimates.

Meanwhile, shares in some companies dropped amid fears of weak results. Dialogic tumbled $16¾ or 36 per cent to $30 after warning that second-quarter income would be 24 to 28 cents a share, 5 to 10 cents below analysts' estimates. Mid Atlantic Medical Services fell $1⅛ or 11 per cent to $12⅞ after announcing that it expected deeper losses in the second quarter than most analysts had forecast.

Canada

Toronto rebounded from Monday's decline, boosted by gold issues, and by noon the TSE 300 composite index was 17.94 higher at 5,052.40 in volume of 34.1m shares.

The heavily weighted golds sector rose 0.8 per cent. Analysts noted that the bullion price, which reached a low of around US$382 an ounce, bounced when investors, who had borrowed the metal to sell it at higher levels, bought again at the lower levels to cover the earlier trades.

TransCanada PipeLines rose 40 cents to C$21.10. Geac Computer recovered some ground after Monday's loss. It rose 25 cents to C$19.75 in heavy trade after losing C$3 on Monday when Mr Stephen Sadler, the president and chief executive, said he would resign.

Some high-technology issues remained under pressure. Hummingbird Communications lost 55 cents to C$39.20.

BCE, the telecommunications group, moved ahead 75 cents to C$55.55 in active trade, but Platinova, the miner, surrendered 25 cents at C$3.50.

Brazil up 2% by noon

There was an upbeat tone evident in SAO PAULO during the morning which left the Bovespa index 1,300.06, or 2 per cent, higher at 64,688 by mid-session.

The momentum behind the rally was provided by Telebras, the telecommunications group, R$2.51 stronger at R$69.50 by midday and accounting for nearly 70 per cent of the total turnover.

Analysts said reports that some investment banks had been recommending Telebras and upwardly revising earnings estimates had contributed to the demand.

There has also been positive results from the group's subsidiaries, such as Telesp, which has reported a R$323m net profit for the first five months of the year.

MEXICO CITY was slightly higher in early trading, with the IPC index registering a rise of 11.51 at 3,046.36, but turnover was said to be light.

S African stocks make progress

Johannesburg's golds were firmer, after a weak opening, on a stronger bullion price, while industrials were helped after Wall Street opened on the upside. The overall index finished 39.9 ahead at 6,913.2, industrials gained 47 at 8,179.4 and the gold shares index rose 13.2 to 1,867.1.

Among the main changes, De Beers advanced R2.25 to R149.25, SA Breweries put on R2.75 at R128.50 and Liberty Investments finished 90 cents firmer at R22.40.

Freegold gained R1.15 at R47.30 but Kloof was off 10 cents at R47. Anglo American improved R2.75 to R270.75 and South African Breweries also appreciated R2.75, to R128.50.

EUROPE

Zurich at record on demand for Nestlé, UBS

Heavy demand for index stocks, particularly Nestlé and UBS, powered ZURICH back up to another record close, and the SMI index finished 40.6 higher at 3,773.4.

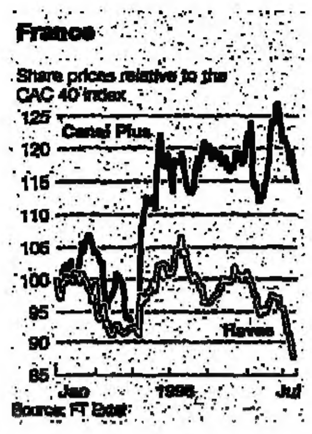
Nestlé was SFr14 better at SFr1,486, after touching a record peak of SFr1,500 as expectations grew for half-year results, due to be unveiled next Tuesday, and with last week's restructuring rumours still having a beneficial effect.

UBS bearers were SFr11 ahead at SFr1,274, partially due to activity related to an option that is due to expire in the next few days. There were also recurrent rumours that UBS may act soon to sell its stake in Motor Columbus, the utilities company, which jumped SFr65 to SFr2,515.

Other speculation suggested that Motor Columbus might forge a co-operation pact with German or French companies, or form an energy holding company with Elektrowatt, up SFr9 to SFr472.

The Novartis partners were in demand after Mr Stewart Adkins at Lehman Brothers in London reiterated a recommendation. Ciba rose SFr27 to SFr1,522 and Sandoz was SFr28 higher at SFr1,428. Mr Adkins noted that Ciba's generic business, Geneva, was one of the three largest in the US with sales of around $300m. These products were being marketed to managed care purchasers through the same organisation as the branded products.

France



Source: FT Extel

"If Novartis continues this one-stop shopping approach, then buyers will theoretically be able to access about 10 per cent of their prescription need through this one supplier," he said.

PARIS saw Canal Plus feel the effect of Monday's announcements of mergers in the European digital television market. The stock fell FFr30, or 2.5 per cent, to FFr1,173. However, there was a view that the deals announced between BSkyB and Kirch, of Germany, and Bertlesmann and CLT, of Luxembourg, could allow Canal Plus the opportunity to choose its own partner in the near future.

Havas, which had also been involved in a possible pan-European television alliance involving all the major players, was off FFr7.1, or 1.8 per cent, at FFr377.1. On Monday, BSkyB pulled out of a European alliance with Bertelsmann, Canal Plus and Havas which had also been planning to launch a digital service in Germany.

Docks de France, the retailer which runs the Mammouth chain in France, denied market rumours that Tesco, of the UK, was about to emerge as a white knight to challenge a hostile takeover by Auchan, a privately owned group. Auchan has launched a FFr17bn bid for Docks, which was unchanged at FFr1,222.

The feeling among the investment community was that a Tesco counter-bid was unlikely to succeed, although the UK group was known to want to expand its presence in continental Europe.

FRANKFURT was excited by a number of corporate stories as the Dax index closed up 11.14 at 2,562.18, and the Ibis moved marginally ahead to 2,562.67. Turnover was DM7bn.

The battle to gain control of the German railways telecommunications division DBKom continued, with the market beginning to favour the chances of Thyssen over Mannesmann. Thyssen rose DM2 to DM297.50 in floor trade and held that price during the Ibis, as Mannesmann rose DM5.80 to DM534.80, and to DM535 in the electronic session.

Another company felt to be attractive at the moment was Deutsche Bank, up DM1.67 to DM72.35, then to DM72.27, after announcing changes to its management structure.

On the negative side, Babcock was pressured after it said that it was planning to restructure and predicted a loss for the current year. At the outset of trading, the stock dropped 9 per cent before finishing DM1.20 off at DM66.

MILAN was unsettled by conflicts over budgetary proposals after several parliamentary commissions rejected the government's three-year budget plan. However, shares climbed off their lows after the hard left Communist Refoundation party said it still believed that a deal cold be reached and that it did not want the centre-left government to fall. The Comit index fell 0.50 to 653.76, while the real time Mibtel index picked up from a low of 10,378 to close 22 weaker at 10,427.

HELSINKI found support in a strong performance in Nokia, up FM4 at FM179 on hopes that second quarter results from its US rival, Motorola, due later in the day would prove better than forecast. The Hex index rose 21.43 to 2050.01, having gained confidence after Wall Street opened firmer.

Kemira, the chemicals group, remained strong, ending official hours at a new year's high of FM53.00, mainly due to healthy four-month results, foreign demand and a lack of sellers. On the kerb, the share drifted back to finish FM0.30 higher at FM51.50.

BRUSSELS saw a cautious early recovery wiped out by late selling pressure which took Bekaert, the main casualty, down 3.4 per cent. The Bel-20 index lost 7.10 to 1,727.82, as Bekaert tumbled BFr875 to BFr24,125 when investors took fright after the company warned that 1996 earnings would fall by 15 per cent from last year's BFr3bn.

AMSTERDAM saw busy activity in Ahold, the retailer, on reports that the company might soon acquire a Portuguese store. The shares rose 40 cents to Fl 92.50. Ahold already has a big presence in Portugal. The Aex index made 2.31 to 556.76.

MADRID rose as government bonds held on to early gains amid speculation about a cut in the Bank of Spain's key intervention rate at Friday's repo auction. The general index gained 1.51 to 370.58.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Jul 9 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
THE EUROPEAN SERIES								
FT-SE Eurotrack 100	1688.50	1690.41	1690.78	1690.43	1690.90	1690.08	1690.25	1690.90
FT-SE Eurotrack 200	1729.69	1731.90	1731.89	1730.47	1730.98	1730.49	1731.85	1731.79

	Jul 8	Jul 5	Jul 4	Jul 3	Jul 2
FT-SE Eurotrack 100	1699.42	1700.35	1709.78	1703.23	1706.94
FT-SE Eurotrack 200	1725.13	1734.01	1743.59	1735.19	1738.66

Base value 1000 (26/10/90); High/day: 100 - 1691.20; 200 - 1732.41 Low/day: 100 - 1688.49 200 - 1729.31. † Partial

ASIA PACIFIC

Nervous speculative sales drive Bombay 2.1% lower

Tokyo

Fears of a heavy overnight fall on Wall Street receded, and the Nikkei average finished only marginally lower, *writes Emiko Terazono in Tokyo.*

The 225-issue index lost 5.12 at 21,919.82, after moving between 21,843.75 and 21,976.99. Investors were relieved as Wall Street regained its stability, but some profit-taking and arbitrage-linked selling weighed on prices as most investors remained absent. Some domestic institutions picked up international blue chips, including car and technology shares.

Volume was 286m shares, against 286m. The Topix index of all first section stocks shed 2.12 to 1,667.32 and the Nikkei 300 lost 0.65 at 309.01. But gainers led losers by 502 to 489, with 210 issues unchanged.

In London the ISE/Nikkei 50 index put on 0.90 at 1,488.45.

Traders said that while uncertainty over a possible shift in monetary policy existed, the economic planning agency's monthly economic report, released yesterday, which confirmed the steady pace of recovery, had failed to ignite further fears of economic tightening.

But worries about higher rates affected bank stocks. Industrial Bank of Japan fell Y40 to Y2,570 and Bank of Tokyo-Mitsubishi also lost Y40, to Y2,390.

Steels were lower on profit-taking: Nippon Steel declined Y5 to Y357, NKK Y6 to Y316 and Kobe Steel Y2 to Y300. But shipbuilders were higher, with Mitsubishi Heavy Industries up Y2 to Y947 and Mitsui Engineering and Shipbuilding adding Y3 at Y323.

Car and high-technology stocks staged a strong rebound after several days of weakness due to profit-taking. In the car sector, Toyota Motor rose Y20 to Y2,700 and Honda Motor gained Y50 at Y2,780.

Retail issues dipped on profit-taking, Mitsukoshi losing Y10 to Y1,160 and Takashimaya Y10 to Y1,620. Ito-Yokado receded Y80 to Y6,570.

Mining shares, which had been battered over the past few weeks on the decline in copper prices caused by fears that Sumitomo Corporation still had a secret stockpile, were firm. Sumitomo Metal Mining rallied Y10 to Y968 and Dowa Mining Y2 to Y521.

In Osaka, the OSE average eased 9.21 to 23,158.53 in volume of 19.1m shares.

Roundup

Nervous speculative selling left BOMBAY 2.14 per cent lower on reports that the former prime minister Mr P.V. Narasimhao Rao had been summoned by a court to appear in a cheating case filed by an expatriate Indian against a prominent Hindu holy man.

The BSE-30 index fell 79.71 to 3,651.01.

SYDNEY recovered some of Monday's loss when the market moved to a four-month low.

The All Ordinaries index gained 4.1 at 2,195.3. Turnover was A$655.2m, compared with Monday's A$539.7m.

There were some satisfactory rises among the leading blue chips: BHP moved ahead 25 cents to A$17.27 and CRA advanced 15 cents to A$18.73, while WMC was 10 cents stronger at A$8.64.

Aristocrat Leisure, which manufactures gaming machines, ended at A$3.30, a premium of 14 per cent to its issue price of A$2.90, and volume was heavy at 6m shares.

In contrast, Golden State Resources, which also listed yesterday, closed at 16.5 cents, a discount of 3.5 cents to its issue price.

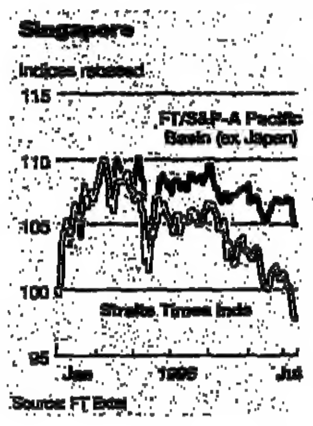
HONG KONG made modest gains as investors cautiously picked up bargains following Monday's sharp decline. The Hang Seng index firmed 39.58 to 10,929.63 as turnover dipped to HK$4.2bn.

Hong Kong Ferry (Holdings) closed with a gain of HK$1.15 at HK$9.25 after Merrill Lynch, which recommended the stock, said the shares were trading at about a 73 per cent discount to estimated net asset value.

Furama Hotel Enterprises rose 20 cents to HK$14 after the company reported a rise in net profit for the year ended March 31. Shares in China Elegance International Fashion rose 35 cents to HK$3.525.

Bank of East Asia recouped some of Monday's decline with a 30-cent advance to HK$28, while Hang Seng Bank moved up 75 cents to HK$76.75.

Singapore



Source: FT Extel

SINGAPORE extended its run of losses as concern over the outlook for US interest rates continued to weigh on a market also pressured by expectations of a dull corporate results reporting season. The Straits Times Industrial index ended 5.87 down at 2,215.44, a new closing low for the year.

Lindeteves-Jacoberg led the actives, picking up 3.5 cents to 75 cents in turnover of 6.5m shares on the view that the shares looked cheap for a stock listed on the main board.

KUALA LUMPUR saw further pressure on Telekom offset by afternoon buying in blue chips, which enabled the composite index to pick up from a low of 1,124.34 and close 6.14 higher on the day at 1,135.51. Telekom gave up another 60 cents to M$21.20.

SEOUL rose sharply in late afternoon trade on speculative buying in blue chips, telecommunications and other selected shares. The composite index put on 10.06 at 858.05 in relatively thin trade of 21.4m shares.

Rumours that the Finance Ministry would soon announce new policies to boost the market provided support. The measures were said to include expanding the daily stock fluctuation limit, making requirements for rights issues stricter, and reducing margin loan deposit requirements. The ministry made no comment.

Among higher telecommunications shares, Korea Mobile climbed Won10,000 to Won715,000 and Dacom rose Won4,500 to Won150,000.

MANILA was weaker for the second consecutive session as domestic investors remained wary. The PSE index retreated 45.9 to 3,274.26 in turnover of 5.2bn pesos.

Among the losers were San Miguel B, down 4.50 pesos to 84 pesos, Ayala Land B, off 50 centavos to 48.00 pesos, and Philippine National Bank, 2.50 pesos cheaper at 450 pesos.

Among the constituent indices the commercial and industrial sector fell 47.53 to 4,443.87, property lost 3.81 to 171.25, as mines rose 29.7 to 3,112.00.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 8 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 5 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	198.08	-1.4	188.94	138.76	157.33	166.91	-1.7	4.44	200.86	191.48	140.76	159.56	168.82	212.18	168.63	168.63
Austria (24)	181.22	-0.8	172.87	126.95	143.94	143.89	-0.8	1.95	182.65	174.12	128.02	145.10	145.04	198.96	168.11	196.13
Belgium (27)	209.79	-0.7	200.12	146.97	166.63	162.74	-0.6	4.09	211.18	201.32	148.02	167.76	163.75	215.81	186.06	185.66
Brazil (28)	184.47	0.3	175.96	129.23	146.52	341.08	0.3	1.91	183.83	175.24	128.85	146.03	339.92	187.75	123.97	143.33
Canada (120)	158.99	-0.6	151.66	111.38	126.29	157.74	-0.5	2.29	160.01	152.54	112.15	127.11	158.57	165.12	134.14	146.63
Denmark (30)	303.10	-0.4	289.13	212.34	240.75	242.67	-0.4	1.89	304.33	290.12	213.31	241.76	243.62	309.01	276.69	278.06
Finland (23)	193.61	0.4	184.68	135.63	153.78	189.35	0.2	2.64	192.91	183.90	135.21	153.24	188.88	276.11	171.73	250.23
France (96)	193.41	-1.1	184.49	135.49	153.62	156.91	-0.9	3.07	195.51	186.38	137.03	155.31	158.37	198.39	167.70	188.40
Germany (59)	170.37	-1.1	162.51	119.35	135.32	135.32	-1.1	1.84	172.19	164.15	120.69	136.78	136.78	174.38	155.66	160.97
Hong Kong (59)	423.57	-2.5	404.04	296.73	336.43	420.98	-2.5	3.39	434.64	414.34	304.65	345.27	431.98	451.19	348.61	375.58
Indonesia (27)	202.87	-0.3	193.61	142.19	161.22	291.37	-0.4	1.57	203.61	194.10	142.71	161.74	292.41	-	-	-
Ireland (16)	281.36	-0.6	268.39	197.10	223.48	248.67	-0.6	3.45	283.09	269.87	198.42	224.88	250.02	290.82	235.88	242.07
Italy (58)	81.45	-1.2	77.70	57.06	64.69	93.45	-1.0	2.36	82.48	78.63	57.81	65.52	94.38	84.53	67.22	77.54
Japan (481)	151.16	-1.2	144.19	105.89	120.06	105.89	-1.3	0.72	153.02	145.87	107.25	121.55	107.25	164.68	137.75	151.07
Malaysia (107)	555.91	-0.9	530.28	389.44	441.55	533.86	-0.8	1.68	561.07	534.87	393.26	445.70	538.21	585.09	425.77	547.02
Mexico (18)	1160.71	-2.5	1107.19	813.12	921.93	9727.98	-2.1	1.37	1190.90	1135.29	834.72	946.04	9934.81	1325.65	791.89	1164.24
Netherland (19)	292.56	-0.9	279.07	204.95	232.38	228.93	-0.9	3.15	295.22	281.44	206.93	234.52	230.96	299.69	245.79	254.15
New Zealand (15)	80.77	-1.0	77.05	56.58	64.16	82.25	-1.4	4.36	81.61	77.80	57.21	64.83	83.15	85.49	75.94	82.48
Norway (35)	250.65	-1.2	239.09	175.59	199.09	222.03	-1.1	2.04	253.74	241.89	177.85	201.56	224.43	256.94	222.24	237.08
Philippines (22)	216.69	-1.2	206.70	151.80	172.11	282.77	-1.2	0.54	219.41	209.16	153.79	174.30	286.32	-	-	-
Singapore (44)	404.18	-1.9	385.52	283.13	321.01	263.45	-1.8	1.44	411.81	392.58	288.65	327.14	268.34	465.21	355.81	398.49
South Africa (44)	361.61	-0.5	344.94	253.32	287.22	342.87	-0.4	2.11	363.30	346.33	254.64	288.60	344.35	457.76	341.65	345.74
Spain (37)	179.99	0.0	171.69	126.09	142.96	175.08	0.0	3.33	179.94	171.53	126.12	142.94	175.06	183.85	145.15	151.59
Sweden (48)	349.94	-0.3	333.81	245.15	277.95	348.92	0.0	2.46	351.09	334.69	246.09	278.90	346.81	360.77	280.13	282.46
Switzerland (37)	241.73	-0.3	230.58	169.34	192.00	189.32	-0.2	1.57	242.38	231.06	169.89	192.54	189.62	252.34	191.24	202.07
Thailand (45)	168.78	-2.0	161.00	118.24	134.06	166.51	-2.0	1.98	172.32	164.27	120.78	136.89	169.89	199.95	146.74	191.52
United Kingdom (200)	235.34	-0.2	224.49	164.86	186.93	224.49	-0.1	4.16	235.76	224.75	165.25	187.28	224.75	237.48	216.52	222.83
USA (627)	265.39	-0.8	253.15	185.92	210.79	265.39	-0.8	2.23	267.50	255.01	187.50	212.50	267.50	276.47	224.83	227.02
Americas (793)	242.68	-0.8	231.50	170.02	192.77	204.09	-0.8	2.22	244.61	233.19	171.45	194.32	205.68	252.43	206.37	209.31
Europe (710)	210.27	-0.6	200.57	147.30	167.01	184.28	-0.5	3.06	211.44	201.56	148.20	167.96	185.15	213.30	189.33	194.40
Nordic (136)	301.43	-0.3	287.53	211.16	239.42	262.72	-0.1	2.35	302.49	288.36	212.02	240.29	263.07	308.61	261.13	271.69
Pacific Basin (679)	164.08	-1.3	156.51	114.94	130.32	116.70	-1.4	1.19	166.27	158.51	116.54	132.08	118.33	177.01	148.86	161.35
Euro-Pacific (1389)	183.21	-1.0	174.78	128.34	145.52	142.30	-0.9	2.09	184.98	176.34	129.65	146.94	143.66	190.57	166.51	175.02
North America (747)	258.88	-0.8	246.94	181.35	205.62	258.24	-0.8	2.23	260.92	248.73	182.88	207.27	260.27	269.52	220.03	222.06
Europe Ex. UK (510)	191.55	-0.8	182.71	134.19	152.14	159.94	-0.7	2.49	193.01	183.99	135.28	153.32	161.00	194.86	169.65	174.89
Pacific Ex. Japan (398)	283.62	-1.7	270.54	198.69	225.28	244.57	-1.8	3.02	288.63	275.15	202.30	229.26	249.08	298.68	243.59	259.87
World Ex. US (1798)	184.57	-0.9	176.06	129.30	146.60	146.78	-0.9	2.09	186.31	177.61	130.59	148.00	148.14	191.55	167.36	175.93
World Ex. UK (2226)	206.93	-0.9	197.39	144.96	164.36	175.46	-0.9	1.95	208.90	199.15	146.42	165.95	178.13	213.05	185.61	198.38
World Ex. Japan (1945)	241.54	-0.8	230.40	169.21	191.85	228.81	-0.8	2.58	243.42	232.05	170.62	193.37	230.63	247.55	212.82	214.41
The World Index (2426)	209.45	-0.9	199.79	146.72	166.36	180.92	-0.9	2.15	211.29	201.43	148.10	167.85	182.50	214.95	188.49	191.40

CONSTITUENT CHANGE WITH EFFECT 10/7/96: Addition: Commonwealth Bank of Australia (Instalment Receipts) (Australia). Latest prices were unavailable for this edition.